Canada Revenue Agency
Agence du revenu du Canada

GST/HST Information for Non-Profit Organizations

RC4081(E) Rev. 09

Canada

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 GST/HST, see Guide RC4022, *General Information for GST/HST Registrants*. It has basic information on charging, collecting, and remitting GST/HST.

GST/HST and Quebec

In Quebec, Revenu Québec administers GST/HST. If the physical location of your business is in Quebec, contact Revenu Québec, at **1-800-567-4692**. Also, see the Revenu Québec publication *General Information Concerning the QST and the GST/HST.*

What's new?

Effective January 1, 2008, the GST rate was reduced from 6% to 5%, and the HST rate from 14% to 13%.

Business owners (including partners, directors, and officers) now have secure, online access to additional account information and services through My Business Account.

You can now file a GST/HST return online with your Web Access Code, view your payroll account transactions and remitting requirements, and calculate a future balance (including accrued interest) of an amount owing for certain accounts. You can also view and update the operating name of your business, and view the direct deposit banking arrangements for all of your business accounts.

You can authorize your employees and representatives to have online access to your account information. To learn more about the growing list of services available in My Business Account, visit **www.cra.gc.ca/mybusinessaccount**.

If you have a visual impairment, you can get our publications in braille, large print, etext (CD or diskette), or MP3. For more information, visit our Web site at **www.cra.gc.ca/alternate** or call **1-800-959-2221**.

La version française de cette publication est intitulée *Renseignements sur la TPS/TVH pour les organismes à but non lucratif*.

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Definitions

Basic tax content (BTC) of a property generally means the amount of 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 were, or may be reimbursed to you (such as rebates or remissions, but not input tax credits). The calculation for the BTC also takes into account any depreciation in the value of the property since you last acquired it by taking into consideration the fair market value of the property as well as the value of the consideration for the last acquisition and for any subsequent improvements.

You may have to calculate the BTC of a property, for example, if you are a registrant and you increase or decrease your use of property in commercial activities. For more information, see "Capital Property" on page 12.

Commercial activity means any business or adventure or concern in the nature of trade carried on by persons, 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.

However, commercial activity includes a supply of real property by any person, other than an exempt supply, 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.

Exempt supplies are goods and services that are not subject to GST/HST. GST/HST registrants cannot claim input tax credits to recover the GST/HST they pay or owe on expenses related to such supplies. However, as a non-profit organization, you may be eligible to claim a public service body rebate for such expenses.

Fair Market Value generally means the highest price, expressed in terms of money or money's worth, obtainable in an open market between knowledgeable, informed, and prudent parties acting at arm's length, neither party being under any compulsion to transact. 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 in respect of the sale.

Input tax credit (ITC) means a credit GST/HST registrants can claim to recover the GST/HST they paid or owe for goods or services they acquired, imported into Canada, or brought into a participating province for use, consumption, 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 provinces means the provinces of Nova Scotia, New Brunswick, or Newfoundland and Labrador.

Note
The HST rate in the participating provinces is 13% on, or after January 1, 2008. Before January 2008, the rate was 14%. The GST rate in the rest of Canada is 5% on, or after January 1, 2008. Before January 2008, the rate was 6%.

Person means an individual, a partnership, a corporation, the estate of a deceased individual, a trust, or any body that is a society, union, club, association, commission, or other organization of any kind.

Property means any property, whether real or personal, movable or immovable, tangible or intangible, corporeal or incorporeal, and includes a right or interest of any kind, a share and a chose in action, but does not include money.

Public service body (PSB) means a non-profit organization, a charity, a municipality, a school authority, a hospital authority, a public college, or a university.

Qualifying non-profit organization means a non-profit organization that receives at least 40% of its total revenue from government funding during the fiscal year.

Registrant means a person that is registered or is required to be registered for GST/HST.

Small supplier refers to a person whose worldwide taxable supplies were 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. For detailed information on how to calculate the small supplier threshold, see "Small supplier" on page 6.

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

Zero-rated supplies refers to a limited number of goods and services that are taxable at the rate of 0%. This means there is no GST/HST charged on the supply of these goods and services, but GST/HST registrants can claim an ITC for the GST/HST they pay or owe on purchases and expenses made to provide them.

What is GST/HST?

Goods and services tax/harmonized sales tax (GST/HST) is a tax that applies on most supplies of goods and services made in Canada. The three participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with GST to create the harmonized sales tax (HST.) HST applies to the same base of goods and services as GST.

Changes to the GST/HST rates came into effect January 1, 2008. Before January 2008, GST was 6% and HST was 14% (6% federal part and 8% provincial part). On or after January 1, 2008, GST is 5% and HST is 13% (5% federal part and 8% provincial part).

GST/HST registrants who make taxable supplies (other than zero-rated supplies) in the three participating provinces collect tax at the 13% HST rate. Registrants collect tax at the 5% GST rate on taxable supplies they make in the rest of Canada (other than zero-rated supplies). For more information on HST, see Guide RC4022, *General Information for GST/HST Registrants*.

Who pays GST/HST?

Almost everyone has to pay GST/HST on purchases of taxable supplies of goods and services (other than zero-rated supplies).

However, Indians and some groups and organizations, such as many provincial and territorial governments, do not always have to pay GST/HST on their purchases. For more information about collecting tax from these groups or organizations, call us at **1-800-959-5525**.

How does GST/HST work?

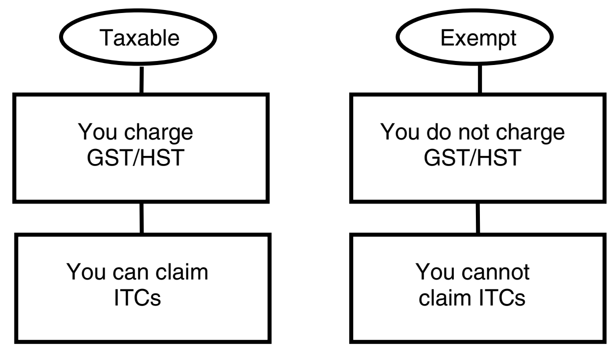
If you are involved in commercial activities in Canada, you may have to register for GST/HST. If you are a registrant, you have to charge and collect GST/HST on taxable supplies you make in Canada and file regular GST/HST returns to report and remit that tax.

Exception
In certain cases, you do not have to collect the GST/HST on a taxable sale of real property. The purchaser may instead have to pay it to us directly. For more information, see "Real property" on page 20.

You can claim an input tax credit (ITC) on your GST/HST return to recover GST/HST you pay or owe on purchases and expenses you use, consume, or supply in your commercial activities. Usually, commercial activities are those undertaken to make taxable (including zero-rated) supplies of goods and services.

From a consumer's point of view, there is no apparent difference between zero-rated and exempt supplies of goods and services, because tax is not collected in either case. However, there is a difference for you, as a registrant. Although you do not collect GST/HST on zero-rated supplies of goods and services, you can still claim ITCs for the GST/HST you pay or owe on purchases used to provide them. You cannot claim an ITC to recover the GST/HST you pay or owe on purchases related to exempt supplies of goods and services, or those for personal use.

Taxable and exempt goods and services



When you complete your GST/HST return, deduct your ITCs (GST/HST you paid or owe) from the GST/HST you charged or collected from your customers. This includes the GST/HST you charged on all supplies of goods and services during a reporting period, even if you have not collected the tax.

If the GST/HST you charged or collected from your customers is **more** than 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 10.

The difference between what you charged or collected from your customers and what you paid or owe on your business purchases is your **net tax**. 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. For more information on rebates, see "Public service bodies' rebate" on page 16.

Taxable goods and services

Goods and services taxable at 5% or 13%

Most goods and services supplied in Canada are subject to GST/HST at the rate of 5% or 13%. Examples of goods and services taxable at 5% or 13% include the following:

- 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.

Goods and services taxable at 0% (zero-rated)

A limited number of goods and services are taxable at the rate of 0%. They are called **zero-rated.** The following includes examples of zero-rated goods and services:

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

Exempt goods and services

Some goods and services are not subject to GST/HST as they are specifically **exempt**. Although you cannot claim an ITC for the GST/HST you paid or owe on purchases that relate to the supplies of such goods and services, certain qualifying non-profit organizations can claim a rebate for part of the GST/HST paid or owing on expenses for which they cannot claim ITCs. For more information, see "Public service bodies' rebate" on page 16.

In addition, you cannot register for GST/HST if you supply **only** exempt goods and services.

Examples of exempt goods and services include:

- most educational services, and 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 (day-care services provided usually for less than 24 hours a day) provided primarily to children 14 years old and younger;
- long-term residential rental accommodation (of one month or more), and residential condominium fees;
- residential rental accommodation if the charge is not more than $20 per day of occupancy; and
- certain goods and services provided by non-profit organizations, governments, and other public service bodies. For more information about exemptions regarding non-profit organizations, see "Exemptions for non-profit organizations" on page 8.

Should you register?

You have to register for GST/HST if:

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

If you are a GST/HST registrant, you have to collect GST/HST on your taxable supplies of goods and services, and you can claim ITCs for the GST/HST you paid or owe on expenses to make these taxable supplies of goods and services.

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

- your only commercial activity is the sale of real property, otherwise than in the course of a business; or
- you are a non-resident who does not carry on business in Canada. If you are a non-resident, see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

If you are a small supplier and decide not to register for GST/HST, you do not charge GST/HST to your customers and you cannot claim ITCs to recover the tax you pay or owe 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 body rebate, even if you decide not to register for GST/HST.

Small supplier

Your non-profit organization is a small supplier in a particular calendar quarter and in the first month immediately following the particular calendar quarter if your worldwide revenues from taxable supplies are $50,000 or less in the previous four consecutive calendar quarters.

> **Note**
> If, during any one calendar quarter, your total worldwide revenues from taxable supplies are more than $50,000, you will immediately cease to be a small supplier and will have to register for GST/HST.

This amount includes zero-rated supplies but does not include sales of capital property, supplies of financial services, and goodwill. You also have to include all your associates' revenues when you calculate the revenue from your taxable supplies.

Voluntary registration

If you are a small supplier and you are engaged in a commercial activity in Canada, you can **choose** to register voluntarily, even though you are not legally required to do so. If you register voluntarily, you have to charge and remit GST/HST on your taxable supplies of goods and services, and you can claim ITCs for the GST/HST you paid or owe on purchases related to these supplies. You have to stay registered for at least one year before you can ask to cancel your registration.

Effective date of registration

The effective date of your GST/HST registration depends on when you exceed the small supplier threshold amount. If you exceed the threshold amount in one calendar quarter, you are considered a registrant and must collect GST/HST on the supply that made you exceed the threshold amount. Your effective date of registration would be the day you made the supply that made you exceed the threshold amount. You have 29 days from this day to apply for registration.

However, if you do not exceed the threshold amount in one calendar quarter, but you do over four consecutive calendar quarters, you are considered to be a small supplier for those four 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 GST/HST.

Multibranch non-profit organizations

Generally, if your non-profit organization is incorporated, you have to register as a single entity. However, if your non-profit organization is unincorporated, your branches or divisions may have to register separately if they are independent entities.

Incorporated non-profit organizations

If your non-profit organization is incorporated, you have to register for GST/HST as a single entity. Revenues from all branches and divisions have to be considered to determine if you have to register. You are also responsible for charging GST/HST on all taxable supplies made by them. **Branches or divisions of an incorporated non-profit organization cannot register separately**. GST/HST does not apply to supplies of goods and services between branches and divisions that are part of one corporation.

However, if your incorporated non-profit organization has branches and divisions, you may apply to have each branch or division designated as a **small supplier** division.

A branch or division qualifies as a small supplier division under the following conditions:

- its worldwide revenues from taxable supplies are $50,000 or less in the previous four consecutive calendar quarters and in any particular calendar quarter;
- it is separately identifiable by either its location or the nature of its activities;
- separate records, books of account, and accounting systems are kept for it; and
- you have not revoked an earlier designation of the branch or division in the previous 365-day period.

When a branch or division is designated as a small supplier division, you do not collect GST/HST from taxable supplies made by the branch or division, and you cannot claim ITCs for the GST/HST paid or owing on purchases made by the branch or division.

If a branch or division no longer qualifies as a small supplier, you have to start collecting GST/HST on its supplies. If you are not registered for GST/HST, you have to do so. In addition, you will have to collect GST/HST on all supplies made by the branches or divisions that are not designated as small supplier divisions.

To apply for this designation, file Form GST31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*.

Unincorporated non-profit organizations

If your non-profit organization is not incorporated and it has several branches or divisions, we may consider them to be separate entities for GST/HST purposes. Each branch or division that is considered a separate entity has to register separately if it is not a small supplier.

To determine if a branch or division is a separate entity that should register separately, consider the following factors:

- **Legal basis**: Are the constitution and by-laws of the branch or division different from those of the parent body? Does the constitution define the activities the branch or division carries out? Can it sue or be sued? Can it hold property or contract in its own name? Is it liable for its debts? Does it raise its revenues instead of receiving funding from the parent body?
- **Management structure**: Do the parent body and its branches or divisions have different managers or directors? Can the branch or division make financial and operational decisions without the approval of the parent body? Does it have separate accounting systems and a different fiscal year-end from the parent body?

If each branch or division of an unincorporated organization registers separately, GST/HST applies to taxable supplies between them.

Member organizations

To avoid having each club or association that is a member of a larger organization register individually, two unincorporated organizations can apply to have one of the two organizations considered to be a branch of the other.

The two organizations can apply using Form GST32, *Application to Deem One Unincorporated Organization to be a Branch of Another Unincorporated Organization.* If the application is approved, we then consider the two organizations to be one entity and one registrant for GST/HST purposes. No GST/HST will apply to transfers of goods and services between the member organization and the main organization.

Exemptions for non-profit organizations

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

Admission to a place of amusement

An admission to a place of amusement is exempt if the **maximum amount** charged to your customer is $1 or less. For example, if you charge adults a $5 admission and children a $0.50 admission, both supplies of admissions (for adults and for children) are taxable.

Place of amusement means any place presenting any type of amusement or recreation such as a film, slide show, artistic presentation, fair, circus, race, or athletic contest. It also includes a museum, historical site, wildlife park, zoo, and a place where bets are taken.

Admission to athletic events

Sales of tickets to a performance or an athletic or competitive event are exempt if 90% or more of the performers, athletes, or competitors are not paid directly or indirectly for their participation. Government and municipal grants, and reasonable amounts as gifts, prizes, or compensation for travel or other incidental expenses are not considered remuneration. In addition, you cannot advertise the performance or event as featuring paid professional participants. This exemption does not apply to events where professional competitors compete for cash prizes such as professional golf tournaments.

Free supplies

Supplies of goods 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.

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; and
- 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 activities

Admission fees

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

- 90% or more of the administrative functions and taking of bets are carried out by volunteers; and
- for a bingo or casino event, the games are not held in a commercial hall or any other place used primarily for gambling activities (including a temporary structure such as a bingo tent put up on a fair ground.)

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. 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, you do not charge GST/HST on the sale of bingo cards or on bets taken during the event. 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.

Goods and services sold for direct cost

Some goods and services taxable under usual circumstances may become exempt when you make them for direct cost.

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

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

If you want to recover only your direct cost, you can choose to make your sales either taxable or exempt.

The sale of goods and services is exempt if the amount you charge is equal to or less than your direct cost and you do not charge GST/HST to your customers. For 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 you sell it for $10.50 or less and you do not charge GST to your customer.

The sale of goods and services is also exempt in cases where you charged GST/HST to your customers and the amount charged for the goods and services is less than the direct cost (not including GST/HST and QST, when the person is a QST registrant.) For example, you buy a T-shirt for $10 plus $0.50 GST. The sale of this T-shirt is exempt if you sell it for **less** than $10. **If you charged GST to your customer**, this tax would have been collected in error.

The sale of goods and services would be taxable if you charge GST/HST to your customer and the amount you charge is equal to or more than your direct cost (not including GST/HST and QST.) For example, you buy a T-shirt for $10 plus $0.50 GST and sell it to your customer for $10 plus $0.50 GST.

Memberships

Memberships sold by non-profit organizations can be exempt or taxable depending on the type of benefits the members are entitled to. The following benefits are permitted when determining whether sales of memberships by non-profit organizations 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 goods and services for an additional fee equal to the fair market value;
- the right to receive a discount for goods 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 10 admissions to the theatre. 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 allows you to claim ITCs for any expenses related to the memberships. If your members are registered for GST/HST and are using their memberships in their commercial activities, they can also 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 by a Public Sector Body to Have Its Exempt Memberships Treated as Taxable Supplies*, or a statement containing prescribed information. You do not have to send us the form or the statement. However, you have to keep it with your books and records for audit purposes.

Memberships in a professional organization

Memberships in a professional organization are exempt if the members are required by law to be members in order to keep their 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 to Tax Professional Memberships.* You do not have to return this form to us. Instead, keep the completed form with your records for audit purposes.

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:

- The program is primarily provided to children 14 years old or younger, and a large part of it does not involve overnight supervision. For example, this exemption would apply to summer day camps.
- The program is provided primarily to underprivileged individuals or individuals with a disability. Programs including board, lodging, and recreational services at recreational camps or similar places may also be exempt when they are provided primarily to underprivileged individuals or individuals with 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 to relieve the poverty, suffering, or distress of individuals, and that are not fund-raising, are exempt. For example, 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.

Special issues

Donations and gifts

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. Sometimes, the donor receives property in exchange for the donation. This donation would still not be subject to GST/HST if the property has little or no resale value such as a key ring, a pin, or an envelope seal. However, if the donor receives a good or service of value in return, the supply may be subject to tax.

Grants and subsidies

As a non-profit organization, you may receive grants, contributions, subsidies, and similar payments. Often referred to as transfer payments, these are given for many different reasons, ranging from a simple contribution made to a non-profit organization, to major government-funded projects. 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 and, as such, no GST/HST would apply.

Generally, GST/HST does not apply to grants and subsidies your non-profit organization receives. However, if there is a direct link between a payment you receive and a supply you provide to either the grantor of the transfer payment or to a third party, the transfer payment may be regarded as payment for a supply. If this is the case, and the supply is taxable, tax may need to be collected on the amount.

Since the tax treatment of transfer payments may be complex and will be determined on a case-by-case basis, call us at **1-800-959-5525** or 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 a non-profit soccer team. In return, the non-profit organization agrees to advertise the corporation's trade name on the team's uniform.

Example 2
A corporation agrees to sponsor a non-profit organization's sporting event. In return, the organization allows the corporation to print the organization's logo on the corporation's products.

GST/HST will not apply to sponsorships **except** when the payment made by the sponsor is primarily (more than 50%) for advertising on television, radio, in a newspaper, magazine, or other publication issued periodically.

In cases where GST/HST does not apply to sponsorships, we do not consider the payment you receive from a sponsor to be payment for a good or service. Therefore, the payment is not subject to tax.

Input tax credits

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

Examples of goods 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 goods for sale or export;
- services acquired for resupply to others;
- services acquired for use 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 the next page);
- taxable goods and services bought or imported to provide exempt goods 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
- goods or services you acquired 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 owing on expenses for which they cannot claim ITCs. For more information on rebates, see "Public service bodies' rebate" on page 16.

There are special rules for non-profit organizations that are financial institutions. For more information, call us at **1-800-959-5525**.

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, so you may need to contact your local tax services office for more information.

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 claim your ITCs in 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 October 1, 2008, to December 31, 2008, for which you can claim an ITC. The due date of the return for this reporting period is January 31, 2009. You can claim your ITCs for the office furniture in any future return filed until January 31, 2013.

The time limit for claiming ITCs for a reporting period is reduced from four to two years for non-profit organizations with revenue from annual taxable supplies of goods 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 goods and services (other than financial services) during either of the two preceding fiscal years are at least 90% taxable supplies. These NPOs would have four years to claim their ITCs.

Under the two-year limit, you can claim your ITCs in any future return that is filed within two years of the end of the fiscal year that includes the return 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 September 1, 2008, to September 30, 2008, for which you can claim an ITC. The fiscal year that includes the September 2008 return ends on December 31, 2008. You can claim the ITC on the goods you purchased in any subsequent return until December 31, 2010.

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, and other support functions of the business, commercial leases, equipment rentals, as well as office supplies such as computer disks, paper, and pens.

To determine if you can claim an ITC on a general operating or overhead expense, follow these rules:

- If the commercial use is 10% or less, you cannot claim an ITC.
- If the commercial use is more than 10% but less than 90%, base your ITC on the percentage used in commercial activities.
- If the commercial use is 90% or more, you can claim a full ITC.

Example
You own a two-story building 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 GST. If you determine that 60% of the utility bill is for the store and 40% is for the upper floor, you can claim an ITC for 60% of the GST you paid on your utility bill.

The method you use to determine the percentage of operating expenses you use in commercial activities has to be fair and reasonable and be used consistently throughout the year. For example, a method commonly used is the number of square metres of space used in commercial activities relative to the total space of the building. You can also use other objective measures based on time allocation, cost, and revenue earned.

If you can attribute an expense directly to a specific activity (making taxable or exempt supplies), you should use the direct attribution method. If an expense is used exclusively in the course of commercial activities, you can claim a full ITC for this expense. On the other hand, if an expense is used exclusively in exempt activities, you cannot claim an ITC for this expense. The other expenses that cannot be attributed to one type of activity (they are used in both taxable and exempt activities) can be apportioned by using one of the other methods discussed above.

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 old and younger) 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 GST/HST.

Your revenues and expenses are as follows:

Revenues	Amounts	HST
Sale of arts and crafts (commercial activity)	$ 30,000	$ 3,900
Art lessons to children (exempt activity)	$ 10,000	0
Total	$ 40,000	$ 3,900
Expenses		
Supplies for art lessons	$ 1,000	$ 130
Merchandise for resale	$ 20,000	$ 2,600
Utilities	$ 1,500	$ 195
Office supplies	$ 500	$ 65
Rent	$ 7,000	$ 910
Total	$ 30,000	$ 3,900

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 HST can be claimed as an ITC.

The other expenses (utilities, office supplies, and rent) cannot be attributed to any particular activity. You have to apportion the use based on objective measures.

For example, if you determine that 75% of these expenses are used in your commercial activity, you can claim 75% of the HST paid or owed on them as an ITC.

Your ITCs are calculated as follows:

Utilities	$ 195	×	75% =	$ 146.25
Office supplies	$ 65	×	75% =	$ 48.75
Rent	$ 910	×	75% =	$ 682.50
Merchandise for resale	$ 2,600	×	100% =	$2,600.00
Total ITCs claimed				$3,477.50

Capital property

Special rules exist for calculating ITCs for capital property. Capital property for GST/HST purposes is based on the meaning of the term for income tax purposes. It is:

- any depreciable property. This means 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.

Capital property is property you buy for investment purposes or to earn income. There are two types of capital property: capital personal property and capital real property. Capital personal property includes computers, photocopiers, office furniture, cash registers, equipment, and machinery. Capital real property includes land and buildings. 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.

Exception

You may elect to have certain exempt supplies of real property treated as taxable. For more information, see "Election for real property of a public service body" on page 23. 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 the previous page.

Example

You bought a computer for $2,000 plus GST. You use the computer 60% in your commercial activities and 40% in your exempt activities. Since the computer is used more than 50% in your commercial activities, you can claim the full amount of GST paid as an ITC.

Change in use

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.

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 23.

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

We have simplified the **basic tax content** formula to accommodate most situations encountered by registrants, including non-profit organizations. However, there are situations where this formula might not work, for example if you are a financial institution. For more information, call us at **1-800-959-5525**.

Calculating the basic tax content (BTC)

The BTC formula that covers most situations for non-profit organizations is as follows:

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

A GST/HST payable for your last acquisition of the property and for improvements to the property.

B Any rebate or refund you were entitled to claim (not including ITCs) for the GST/HST payable on your last acquisition of the property and improvements you made to it. For non-profit organizations that qualify for the public service bodies' rebate, this amount usually equals 50% of the tax payable. For non-profit organizations that do not qualify for the rebate, this amount usually equals zero.

C 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 GST/HST) for your last acquisition of the property and improvements you made to it since you last acquired it.

Changing the use to more than 50% in commercial activities

When you buy capital property for use 50% or less in commercial activities, you cannot claim ITCs to recover the GST/HST you paid or owe. However, if you later change the use of the property to primarily (more than 50%) in commercial activities, we consider you to have sold the property, reacquired it, and paid GST/HST at that time. This means you can claim an ITC based on the BTC of the property at that time.

Note
If you later change the use again and begin to use the property 50% or less in commercial activities, you may have to pay part or all of the GST/HST that you claimed as an ITC. For more information, see "Changing the use to 50% or less in commercial activities" later on this page.

Example
On July 2, 2007, 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, as you were not using it primarily (more than 50%) in commercial activities, but you claimed a rebate for 50% of the GST paid.

Cost of the computer:	$2,000
GST paid:	$120
Rebate claimed:	$60

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 primarily in commercial activities, you can claim an ITC to recover part of the GST you paid in 2007, 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 BTC of the computer as follows:

$$\textbf{Basic tax content} = \mathbf{(A - B) \times C}$$
$$= (\$120 - \$60) \times \frac{\$1{,}000}{\$2{,}000}$$
$$= \$30$$

You can claim an ITC of $30 on line 106 of your GST/HST return, for the reporting period in which the change in use occurs.

Changing the use to 50% or less in commercial activities

When you buy capital property for use primarily in commercial activities, you can claim ITCs to recover the GST/HST you paid or owe on your purchase. However, if you change the use of the property from use primarily in commercial activities to use 50% or less in commercial activities, you have to pay part or all of the GST/HST you claimed as an ITC when you bought the property. The tax you have to account for is based on the BTC of the property at the time of the change in use and has to be included in your net tax calculation.

Note
If you later change the use again and begin to use the property more than 50% in commercial activities, you may be entitled to claim an ITC. For more information, see" Changing the use to more than 50% in commercial activities" earlier on this page.

Example
In 2007, you bought a building for use 60% in your **commercial** activities. The election for real property of a public service body is not in effect for the property. As you were using the building primarily (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:	$18,000
ITC claimed:	$18,000
Rebate claimed:	$0

Had you not been entitled to claim an ITC, assume you would have qualified for the 50% public service bodies' (PSB) rebate as a qualifying non-profit organization.

This year, you change the use of the building and you are now only using it 20% in your commercial activities. As you are no longer using the building primarily in commercial activities, you have to pay tax based on the **BTC** 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 BTC as follows:

Basic tax content = (A – B) × C

= ($18,000 – $9,000) × 1

= $9,000

Note
Element B of the calculation above is equal to $9,000 ($18,000 x 50%) because, in this example, you would have been entitled to claim a 50% PSB rebate for the tax you paid when you purchased the property had you not been entitled to claim a full ITC for that tax.

As the BTC 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.

As the BTC of the property at the time of the change in use is $9,000, you have to add that amount in determining your net tax by including it on line 103 of your GST/HST return for the reporting period in which the change in use occurs. You must remit any resulting positive amount of net tax.

Simplified Method for calculating ITCs

The Simplified Method is an alternative way of calculating your ITCs. It does not affect the way you charge, collect, or report GST/HST on supplies. Under the Simplified Method for claiming ITCs, you do not have to show GST/HST separately in your records. You only need to total the amount of your taxable purchases for which you can claim an ITC. However, you have to keep the usual documents to support your ITC claims for audit purposes.

You can use the Simplified Method if you are registered for GST/HST and you meet the following four conditions:

- You (and your associates) have annual revenue from taxable supplies of $500,000 or less in your last fiscal year (not including supplies of financial services, sales of capital real property, and payments for goodwill) if you are in your first fiscal quarter. If you are not in your first fiscal quarter, annual taxable supplies should not be more than $500,000 in your last fiscal quarters of the current year.
- Your taxable purchases (including those of your associates) either in Canada or imported into Canada were not more than $2 million in the last fiscal year (not including zero-rated purchases).
- It is reasonable to expect that your taxable purchases (not including zero-rated purchases) for your next fiscal year will not be more than $2 million.
- You are not a listed financial institution.

If you qualify, you can start using the Simplified Method at the beginning of a reporting period. You do not have to file any forms to use it. Once you decide to use this method, you have to use it for at least one year if you continue to qualify.

You can only claim ITCs for purchases you use to provide taxable supplies. If you use the purchases for personal use or to provide both taxable and exempt supplies, you must apportion the purchases and claim ITCs only on the part that applies to commercial activities.

You have to separate your GST taxable purchases from your HST taxable purchases if you make purchases in both participating and non-participating provinces.

To calculate your ITCs for each reporting period, add up your taxable purchases, including GST or HST, provincial sales tax (PST), tips, and penalty and interest on late payments.

Purchases on which you paid GST

GST at the rate of 5%:

To calculate your ITCs, multiply by 5 the total amount (including GST) of your eligible taxable purchases and divide the resulting amount by 105:

$$\frac{\text{eligible taxable purchases} \times 5}{105}$$

GST at the rate of 6%:
To calculate your ITCs, multiply by 6 the total amount (including GST) of your eligible taxable purchases and divide the resulting amount by 106:

$$\frac{\text{eligible taxable purchases} \times 6}{106}$$

GST at the rate of 7%:
To calculate your ITCs, multiply by 7 the total amount (including GST) of your eligible taxable purchases and divide the resulting amount by 107:

$$\frac{\text{eligible taxable purchases} \times 7}{107}$$

Purchases on which you paid HST

HST at the rate of 13%:
To calculate your ITCs, multiply by 13 the total amount (including HST) of your eligible taxable purchases and divide the resulting amount by 113:

$$\frac{\text{eligible taxable purchases} \times 13}{113}$$

HST at the rate of 14%:
To calculate your ITCs, multiply by 14 the total amount (including HST) of your eligible taxable purchases and divide the resulting amount by 114:

$$\frac{\text{eligible taxable purchases} \times 14}{114}$$

HST at the rate of 15%:
To calculate your ITCs, multiply by 15 the total amount (including HST) of your eligible taxable purchases and divide the resulting amount by 115:

$$\frac{\text{eligible taxable purchases} \times 15}{115}$$

To calculate your ITCs using the Simplified Method, follow these steps:

Step 1 – Eligible purchases
Add up separately your business purchases and expenses that are taxable at 5%, 6% and 7% GST and 13%, 14% and 15% HST and for which you can claim an ITC. You will include the following amounts:

- GST or HST;
- non-refundable PST (only for GST-taxable purchases);
- taxes or duties on imported goods;
- reasonable tips;
- reimbursements paid to employees, partners, and volunteers for taxable expenses; and
- interest and late penalty charges related to purchases taxable at GST or HST.

Do **not** include:

- expenses on which you have not paid GST/HST such as employees' salaries, insurance payments, interest, exempt or zero-rated purchases, and purchases from a non-registrant;
- purchases you made outside Canada which are not subject to GST/HST;
- real property purchases;
- rebatable or refundable PST;
- purchases for which you are not entitled to claim an ITC such as:
  - the part you use for personal use or to make exempt supplies of goods and services;
  - capital personal property that you do not use more than 50% in your commercial activities; and
  - the part of the cost of a passenger vehicle that exceeds the capital cost limitation for income tax purposes;
- 50% of the meal and entertainment expenses (you may include 100% of the expenses and make the 50% adjustment at the end of your fiscal year); or
- amounts paid or payable in reporting periods before you started using the Simplified Method to calculate your ITCs.

Step 2 – Calculating your ITC
Multiply the amount(s) you calculated in Step 1 by:

- 5 and divide the result by 105 for purchases on which you paid 5% GST;
- 6 and divide the result by 106 for purchases on which you paid 6% GST;
- 7 and divide the result by 107 for purchases on which you paid 7% GST;
- 13 and divide the result by 113 for purchases on which you paid 13% HST;
- 14 and divide the result by 114 for purchases on which you paid 14% HST; and
- 15 and divide the result by 115 for purchases on which you paid 15% HST.

Step 3
Add the following amounts, if they apply, to your ITC amount calculated in Step 2:

- ITCs for the GST/HST you paid or owe on real property purchases. To determine the ITC you can claim for real property purchases, see "Real Property" on page 20;
- GST/HST you had to self-assess on goods and services you imported; and
- ITCs you did not claim before you started using the Simplified Method, as long as the time limit for claiming them has not expired.

The following example shows how to calculate ITCs using the Simplified Method.

Example
During a reporting period, your non-profit organization purchases real property (building and land) and other goods and services to make taxable supplies of adult fitness classes. For this example, the provincial sales tax (PST) is 8% and is not refundable and the GST is 5%.

Description	Expenses*
Salaries**	$ 3,000
Insurance**	$ 50
Capital expenditures	$ 575
Advertising	$ 214
Office supplies	$ 230
Inventory purchases	$ 2,220
Building and land***	$ 100,000
Total purchases for the reporting period	$ 106,289

* Includes GST and non-refundable provincial sales tax.

** GST does not apply to employee salaries and insurance expenses.

*** The non-profit organization uses the building and land primarily (more than 50%) in its commercial activities and has not filed the election for real property of a public service body.

Step 1

Taxable purchases = Total expenses minus salaries, insurance, building and land

= $106,289 – ($3,000 + $50 + $100,000)

= **$3,239**

Step 2

ITC calculation = $\frac{\$3,239 \times 5}{105}$

= **$154.24**

Step 3

Add the ITC for the building and land = $154.24 + GST on building and land

= $154.24 + ($100,000 × 5/105)

= **$4,916.14**

If you need more information on the Simplified Method for calculating ITCs, see Guide RC4022, *General Information for GST/HST Registrants*.

Public service bodies' rebate

A special GST/HST rebate allows certain non-profit organizations to recover 50% of the GST and federal part of the HST they paid or owe on eligible purchases and expenses for which they cannot claim ITCs.

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

You qualify for the rebate for a particular fiscal year if the percentage of government funding you receives for the fiscal year, or for the previous two fiscal years, is at least **40%** of your total revenue. For instructions on calculating the percentage of government funding, see Form GST523-1, *Non-Profit Organizations – Government Funding*.

Most qualifying non-profit organizations are also eligible for a 50% rebate of the **provincial** part of HST if they are residents of a participating province. If your non-profit organization is not resident in a participating province, but you buy goods or services in a participating province, you may be entitled to a separate rebate of 8%, the provincial part of HST. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate* or call us at **1-800-959-5525**.

A non-profit health care facility may also qualify for a rebate as a charity where competent personnel provide the following services to residents with limited physical or mental capacity:

- qualified nursing and personal care;
- daily living, social, and recreational assistance; and
- meals and accommodation.

For more information, see Guide RC4082, *GST/HST Information for Charities* or call us at **1-800-959-5525**.

Eligible purchases and expenses

As a qualifying non-profit organization, you can claim a rebate of **50%** of the GST/HST you pay or owe on your **eligible** purchases and expenses, for which you cannot claim ITCs. Eligible purchases and expenses for the public service bodies' rebate include the following:

- 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;
- goods 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 50% or less in commercial activities, since the rebate is considered in calculating the basic tax content as explained on page 13.

Non-eligible purchases and expenses

Certain purchases are not eligible for the public service bodies' rebate, including:

- memberships in a dining, recreational, or sporting club;
- tobacco products and alcoholic beverages you supply and for which you are not required to collect 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 used primarily (more than 50%) for the supply of a parking space made available to residential tenants **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 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 with limited financial resources who qualify for occupancy or reduced rents under a means or income test;
- property and services you buy to sell or give to an officer, an employee, or another person related to that individual, if the value of the benefit would be taxable for income tax purposes;
- property and services considered to be acquired by the operator of a joint venture in cases where any of the co-venturers would not be entitled to claim a rebate if they were acquired by the co-venturer; and
- certain returnable beverage containers in cases where you would have been denied an ITC if you were otherwise in a position to claim an ITC instead of a rebate.

Example
You own an apartment building and restrict 30% of the apartments to individuals with a disability. If you meet the 40% government-funding test, you can apply for the 50% public service bodies' rebate for the GST/HST you paid or owe on all expenses you incur to maintain the apartment building. You qualify for the rebate because more than 10% of the apartment building is available only to individuals with a disability.

How to apply for the rebate

When you file a rebate application for the first time, you have to complete Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*. After we process your first rebate application, we will send you Form GST284, *GST/HST Rebate Application for Public Service Bodies*, which is a personalized version of Form GST66, for your next application. Guide RC4034 includes Form GST66, as well as completion instructions.

You have up to four years to apply for the rebate. Do not include your original invoices or receipts with your rebate application, but keep them for six years from the end of the year to which they relate for audit purposes. Also, you have to send us Form GST523-1, *Non-Profit Organizations – Government Funding*, each year. We will send you a personalized version of this form each fiscal year. It is no longer necessary for you to send us your annual reports and financial statements.

Organizations not registered for GST/HST

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.

You have to file the rebate application for your organization as a whole. However, if your organization has branches or divisions, you can also apply to have them file separate rebate applications. To do so, each branch or division must be separately identifiable by its location or the nature of its activities, and separate books and records must be maintained for the branch or division. 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*.

Organizations registered for GST/HST

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 return.

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

Simplified method for calculating the rebate

We have developed a simplified method for calculating the public service bodies' rebate. When you use this method, you do not have to keep track of the GST/HST you pay or owe to your suppliers for each invoice. However, you do have to separate your GST-taxable purchases from your HST-taxable purchases. You do not have to file any forms with us to start using this method, but you have to meet certain criteria.

You can use the simplified method to calculate your rebate if you meet the following conditions:

- Your taxable purchases (taxable at the GST rate of 5%, 6%, or 7%, or the HST rate of 13%, 14%, or 15%), and those of your associates, either in Canada or imported into Canada were $2 million or less in the last fiscal year and you reasonably expect that your taxable purchases in the current fiscal year will be $2 million or less.

- If you are a GST/HST registrant, you and your associates must have annual taxable supplies of $500,000 or less in your last fiscal year (not including supplies of financial services, sales of capital real property, and goodwill) if you are in your first fiscal quarter. If you are not in your first fiscal quarter, annual taxable supplies should be $500,000 or less in your last fiscal quarter of the current year.

For more information on the simplified method and instructions on how to calculate the public service bodies' rebate, see Guide RC4034.

Rebate for printed books

You may qualify for the 100% rebate of GST and the federal part of HST paid on printed books, audio recordings of printed books, and printed versions of religious scriptures if you meet all the following conditions:

- You are a qualifying non-profit organization.
- You operate a public lending library.
- The printed books, audio recordings of printed books, and printed versions of religious scriptures are not bought for resale.

In addition, qualifying non-profit organizations whose primary purpose is to promote literacy are eligible for this rebate if they meet certain requirements. For more information, call us at **1-800-959-5525**.

You claim this rebate on line 307 of Part E of your PSB rebate application. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate* or GST/HST Memoranda Series, Chapter 13.4, *Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures*.

If you claim an amount under the 100% rebate for printed books, you cannot claim the same amount under another rebate (such as the public service bodies' rebate.)

A provincial point-of-sale rebate is also available for the 8% provincial part of HST on the above-mentioned publications bought in a participating province. This means that the person selling the books should give you the rebate at the time of the sale.

Simplified accounting methods

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

Special Quick Method for qualifying non-profit organizations

As a GST/HST registrant, you have to keep track of the GST/HST you paid or owe on your business purchases and the GST/HST you charge on taxable supplies in order to complete your GST/HST return.

To help reduce your paperwork and bookkeeping costs, you can use the Special Quick Method for public service bodies if you are a **qualifying** non-profit organization (i.e., the percentage of government funding you receives for the fiscal year or the previous two fiscal years is at least 40% of your total revenue). Otherwise, you may be entitled to use the Quick Method of accounting available to other businesses. For more information on this other method, see the next page.

The Special Quick Method is a simple way to calculate the net tax you have to remit. This method has been developed for GST/HST registered public service bodies, including non-profit organizations that are eligible to claim the PSB rebate. With the Special Quick Method, you do not have to keep track of the end use of your purchases. In other words, you do not have to calculate which purchases are for commercial activities and which are for exempt activities.

Note
Certain supplies of goods and services are not included in the Special Quick Method calculation. For more information, see Booklet RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

When you use the Special Quick Method, you still collect 5% GST or 13% HST in the usual way on all taxable supplies. However, to calculate the amount of GST/HST to be remitted, multiply the total amount of revenue and GST/HST collected on taxable 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 5% or 13% rates of tax that you collect. This means that you remit only a part of the tax that 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.

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.

The Special Quick Method remittance rates

The remittance rates for qualifying non-profit organizations using the Special Quick Method are the following:

Special Quick Method rates on or after January 1, 2008:

- **8.8%** for supplies made in a participating province through a permanent establishment in a participating province;
- **3.6%** for supplies made in a non-participating province through a permanent establishment in a non-participating province;
- **1.8%** for supplies made in a non-participating province through a permanent establishment in a participating province; and
- **10.5%** for supplies made in a participating province through a permanent establishment in a non-participating province.

Special Quick Method rates on or after July 1, 2006, and before January 1, 2008:

- **9.4%** for supplies made in a participating province through a permanent establishment in a participating province;
- **4.3%** for supplies made in a non-participating province through a permanent establishment in a non-participating province;
- **2.5%** for supplies made in a non-participating province through a permanent establishment in a participating province; and
- **11%** for supplies made in a participating province through a permanent establishment in a non-participating province.

You can claim ITCs on certain items only. For more information, see Booklet RC4247.

How apply for the Special Quick Method

You can use the Special Quick Method whether you file GST/HST returns monthly, quarterly, or annually. Call us at **1-800-959-5525**, or complete Form GST287, *Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting*, and return it to us.

You can make this election at the start of any reporting period. Once you decide to use the Special Quick Method, you have to use it for at least one year. You can keep using it as long as you remain eligible (i.e., you meet the 40% government funding test). For more information on the Special Quick Method, see Booklet RC4247.

Quick Method for other non-profit organizations

If you are a non-profit organization that does not receive at least 40% of its revenues from government funding, you cannot use the Special Quick Method for public service bodies. However, you may be entitled to use the Quick Method of accounting.

The Quick Method of accounting is a simple way for you to calculate the amount of GST/HST you have to remit. If your annual worldwide taxable supplies (including zero-rated supplies) and those of your associates are $200,000 or less (including GST/HST) in any four consecutive fiscal quarters over the last five fiscal quarters, you can use the Quick Method. The $200,000 limit does not include supplies of financial services, sales of real property, sales of capital assets, and goodwill.

Note
If you decide to use the Quick Method, you have to use it for at least one year.

With the Quick Method, you charge and collect GST or HST on taxable supplies in the usual way. To calculate the net GST/HST to remit, you multiply your taxable supplies including GST and your taxable supplies including HST made during the reporting period by the Quick Method remittance rates that apply to those supplies. There are several remittance rates. For information on determining which rate or rates apply to your supplies, see Booklet RC4058, *Quick Method of Accounting for GST/HST*.

Note
When applying the Quick Method remittance rate, the amount of the supply must include the GST/HST collected or collectible, but **not** the provincial sales tax if it was applicable.

The Quick Method remittance rates apply only to supplies you make in the usual course of business, on which you must collect GST or 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 goods 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 (7% or 15%) 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 GST/HST) on which you must collect GST or 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.

How to apply for the Quick Method

If you want to use the Quick Method, call us at **1-800-959-5525** or complete Form GST74, *Election and Revocation of an Election to Use the Quick Method of Accounting*, and return it to us. For more information on the Quick Method and Form GST74, see Booklet RC4058.

Real property

This section explains the GST/HST rules for sales and leases of real property made by non-profit organizations. It provides information on ITCs and subsidized housing. It also explains the special election that allows a public service body (which includes a non-profit organization) to treat certain exempt supplies of real property as taxable supplies.

Taxable supplies of real property

Generally, most sales and leases of real property made by non-profit organizations are exempt. However, the following supplies are subject to GST/HST:

- the sale of new or substantially renovated housing;
- the sale of used housing if the non-profit organization is a builder of the housing and it claimed ITCs on its last acquisition of the housing or on any improvements made to it;
- a deemed supply of real property (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);
- the sale of land to an individual or a personal trust unless there is a structure on the property that the organization used as an office, or in commercial or exempt activities;
- a supply of real property that, immediately before the time of the supply, the organization used primarily in its commercial activities;
- a lease 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 fund-raising;
- a lease 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;
- a 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);
- a 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);
- a 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
- a supply of real property where the non-profit organization has filed an election to treat its exempt supplies of that property as taxable. For more information, see "Election for real property of a public service body" on page 23.

Who has to remit the tax on a taxable sale of real property – vendor or purchaser?

Generally, if you make a taxable supply of a property or a service, you have to collect the GST/HST and remit it to us. However, there is a special rule for taxable sales of real property.

If you make a taxable sale of real property, you do not collect the tax from the purchaser or remit any tax to us if:

- the purchaser is registered for GST/HST. However, if you make a taxable sale of a house to an individual you have to collect and remit the tax, whether or not the individual purchaser is registered, unless you are a non-resident; or
- you are a non-resident. If you are considered a resident, for only certain activities you carry on through a permanent establishment in Canada, do not collect the tax.

If you do not have to collect the tax on your taxable sale of real property because one of the above conditions applies, the purchaser has to pay the tax due on their purchase directly to us. This also means that if you make a taxable purchase of real property, you may have to pay the tax directly to us instead of paying it to the vendor.

For more information on how to remit the tax you have to collect and, if you purchase real property and have to pay the tax directly to us, how to do so, see the following sections.

How does the vendor remit the tax?

If you have to collect and remit the tax due on your taxable sale of real property, remit that tax as follows:

- If you are registered for the GST/HST, report the tax due on line 103 of your regular GST/HST return for the reporting period in which the tax became payable by the purchaser and remit any positive amount of net tax due with that return.

- If you are not registered for the GST/HST, report the tax due on line 103 of Form GST62, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-Personalized)*. You have to file this return by the end of the month following the month in which the tax became payable by the purchaser and remit the tax due with that return.

  Note
  Form GST62 is not available for download on our Web site. It's only available in pre-printed format. However, you can order it by visiting our Web site at **www.cra.gc.ca/orderforms** or by calling us at **1-800-959-2221**.

How does the purchaser pay the tax to us?

If you have to pay the tax directly to us on your purchase of real property, you pay that tax as follows:

- If you are registered for the GST/HST and will use or supply the real property:
  - more than 50% in your commercial activities, you have to report the tax due on line 205 (GST/HST due on the acquisition of taxable real property) of your regular GST/HST return for the reporting period in which the tax became payable and remit any positive amount of net tax due with that return;
  - 50% or less in your commercial activities, you have to report the tax due on Form GST60, *GST/HST Return for Acquisition of Real Property*. You have to 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.
- In any other case where you have to pay the tax directly to us, you have to report the tax due on line 205 of Form GST62. You have to 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 for download from our Web site at **www.cra.gc.ca/gsthstpub** or by calling us at **1-800-959-2221**.

  Since Form GST62 is only available in pre-printed format, it is not available for download on our Web site. However, you can order it by visiting our Web site at **www.cra.gc.ca/orderforms** or by calling the phone number mentioned above.

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 use primarily (more than 50%) in commercial activities, you can claim an ITC at the time of the change in use. On the other hand, if the use changes from use primarily in commercial activities to use 50% or less in commercial activities, you may have to pay part of the ITCs you claimed earlier. For more information, see "Change in use" on page 12.

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 23.

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 11.

Subsidized housing

The following rules apply to non-profit organizations that receive government funding to build housing (or an addition to housing) where at least 10% of the residential units in the housing are intended to be leased to seniors, youths, students, or to individuals with a disability, or who are in distress, in need of assistance, or have limited financial resources.

For purposes of the special rules for subsidized housing, **government funding** means an amount of money paid or payable by a grantor (or paid or payable by another organization that received the money from a grantor) to a builder of the housing (or addition) for the purpose of making residential units available to the individuals mentioned above. Government funding can include a forgivable loan from a grantor. The funding must be measurable and identified in your financial statements as government funding.

A **grantor** can be from any level of government—federal, provincial, and 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 whose activities are substantially all (90% or more) commercial activities are not grantors.

During the construction phase, you can register for the GST/HST and claim ITCs for the goods and services you buy that relate to the construction 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, we consider you to have made a taxable sale of the housing. You have to pay GST/HST on that taxable sale equal to the **greater** of the following:

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

Example
You are a non-profit organization in New Brunswick and you are registered for the GST/HST. You construct multiple-unit housing for which you receive government funding. You paid $25,000 HST on the purchase of the land and $30,000 HST on the construction of the building. You claimed ITCs to recover the total tax paid on the purchase and construction costs.

The construction of the housing is substantially completed on August 11, 2008, and you first give possession of a unit in the housing on September 5, 2008, 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 of a unit in the housing, you are considered to have made a taxable sale of the multiple-unit housing on September 5, 2008.

You calculate that the HST you paid on the purchase of the land, and on the construction of the building and other improvements you made to the property, is greater than the HST calculated on the fair market value of the multiple-unit housing (including the land) on September 5, 2008. This means that the amount of HST you are considered to have paid and collected is equal to the amount of HST you paid on the land and on the construction and other improvements you made to the property.

How do you remit the tax?

If you are a GST/HST registrant, you have to report the tax due on line 103 of your regular GST/HST return for the reporting period during which you are considered to have made the taxable sale 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 taxable sale of the subsidized housing. For information on a rebate that you may be entitled to claim for GST/HST you paid on construction costs that you could not previously recover, see "Are you a non-registrant?" later on this page.

Note
Since Form GST62 is only available in pre-printed format, it is not available for download on our Web site. However, you can order it by visiting our Web site at **www.cra.gc.ca/orderforms** or by calling us at **1-800-959-2221**.

Are you a non-registrant?

If you are a non-registrant, you could not claim input tax credits (ITCs) to recover any of the GST/HST payable on your costs to build or substantially renovate the housing (or addition). While, as a non-profit organization, you may have been entitled to claim a public service bodies' rebate of 50% of that tax, you would not have been 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 as you are considered to have made a taxable sale of the subsidized housing and have to remit the tax on that sale. 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*, or call us at **1-800-959-8287**.

Example
You are a non-profit organization in Alberta and you are not registered for the GST/HST. You construct multiple-unit housing 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 50% public service bodies' rebate for that tax.

The construction of the housing is substantially completed on November 10, 2008, but you first gave possession of a unit in the housing to an individual to live in on October 24, 2008. As the later of these two dates is the day you substantially completed the multiple-unit housing, you are considered to have made a taxable sale of the housing on November 10, 2008.

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 November 10, 2008. Therefore, the amount of GST that you are considered to have paid and collected is equal to the amount of GST you paid on the purchase of the land, the construction of the building, and on any other improvements you made to the property.

Also, as a non-registrant, you could not claim ITCs for the tax you paid to purchase the land and construct the housing, and you were only able to recover 50% of that tax (by claiming a public service bodies' 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.

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 the 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 on the effect of this election, if you are not a GST/HST registrant, 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** means the entire estate or interest in the real property held by the non-profit organization included in the **legal description** or **leasehold interest** (which includes all structures and other improvements that are fixtures to the land).

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 will have to charge 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 you paid or owe for the property. For example, if you purchased or leased the property, you may be entitled to claim ITCs for the tax you paid or owe on the purchase or on your lease payments, and you may also be entitled to claim ITCs for the tax you pay or owe on purchases and expenses that are related to the property, such as 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 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 GST/HST. You buy a four-storey building (including the land) and you paid 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 of 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 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:

- Where you acquired the real property by way of lease, licence or similar arrangement, you are entitled to claim ITCs for the tax you paid or owe 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 your commercial activities, as long as it is used more than 10% in your commercial activities.
- Where 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 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 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. For information on how to report the tax, see the following section.

– 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. (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.)

– You are entitled to claim ITCs for the tax you paid or owe on purchases and expenses (such as utilities) related to the real property to the extent you use the property in your commercial activities.

Note
For information on calculating the BTC of property, see "Calculating the basic tax content (BTC)" on page 13.

Reporting the GST/HST you are considered to have collected

As a registrant, you have to report the GST/HST on line 103 of your regular GST/HST return for the reporting period in which you are considered to have made the taxable sale, and 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 2007, you acquired a building in Ontario for $300,000 plus $18,000 GST. At that time, 70% of the building was used in your exempt activities 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 (i.e., 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 the 50% public service bodies' rebate ($18,000 × 50% = $9,000).

In 2008, you file the election to treat the exempt leases as taxable. The building is now used 30% in commercial activities, as 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 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 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 BTC, as follows:

Basic tax content **= (A – B) × C**

= ($18,000 – $9,000) × 1

= $9,000

You report $9,000 on line 103 of your regular GST/HST return for the reporting period during which the election was made.

You calculate your ITC for the tax you are considered to have paid, which is based on the BTC of the property, as follows:

ITC = $9,000 × 30% (use in commercial activities)

= $2,700

In addition, since you are considered to have made a taxable sale of the property, you can also claim an ITC for $9,000 (which is equal to the BTC 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 $11,700 ($2,700 + $9,000.)

In addition, you can now claim ITCs for 30% of the GST you paid or owe 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, as the BTC calculation takes the amount of the PSB rebate into account so that the amount you paid was reduced by the amount of that rebate.

Filing the election

To make the election, you have to complete and send us Form GST26 within one month after the end of the reporting period in which the election is to become effective. You have to file this election for each property you want to treat as taxable.

You can revoke this election by filing another Form GST26. The revocation will be effective on the day you specify on Form GST26, as long as you file the form within one month after the end of the reporting period in which the election ceases to be effective.

If you revoke 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 on the day of revocation. You must include the tax you collected in your net tax calculation. For more information, see Form GST26.

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, and 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 GST/HST on the part you no longer use in your commercial activities. The amount of 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. For more information, if the real property was used partially in exempt activities before the change in use, call us at **1-800-959-5525**.

For more information

This guide uses plain language to explain the most common tax situations. If you need more help after you read this guide, call our Business Enquiries line at **1-800-959-5525**.

Internet

You can find GST/HST information for your type of business or operation by visiting our Web site at **www.cra.gc.ca/gsthst**. You may want to bookmark this address for easier access to our Web site in the future.

Forms and publications

Many of our forms and publications are available on our Web site at **www.cra.gc.ca/gsthstpub**. If you want to obtain copies of a publication or form, call us at **1-800-959-2221**.

Teletypewriter users

If you have a hearing or speech impairment and use a teletypewriter, you can call our bilingual enquiry service at **1-800-665-0354** during regular business hours.

Direct deposit

If you are expecting refunds or rebates when you file your GST/HST returns, you can complete and send us Form GST469, *Direct Deposit Request*. This form is available on our Web site at **www.cra.gc.ca/dd-bus**. This is a safe, convenient, dependable, and time-saving method of receiving your GST/HST refunds and rebates.

Representatives

You can authorize a representative, such as your accountant, to get information about your GST/HST matters by using My Business Account. For more information, visit our Web site at **www.cra.gc.ca/mybusinessaccount**.

You can also authorize a representative, by completing and sending us Form RC59, *Business Consent Form*.

You must clearly indicate that you are authorizing the representative to contact us regarding your GST/HST account. We will also accept a letter signed by an owner that provides the same information as requested on the form. We will only give information to your representative after we are satisfied that you have authorized us to do so.

Your opinion counts

If you have any comments or suggestions that could help us improve our publications, we would like to hear from you. Please send your comments to:

Taxpayer Services Directorate
Canada Revenue Agency
750 Heron Road
Ottawa ON K1A 0L5