REVENU QUÉBEC

Canada Revenue Agency
Agence du revenu du Canada

THE QST AND THE GST/HST
HOW THEY APPLY TO NON-PROFIT ORGANIZATIONS

revenuquebec.ca

CONTENTS

Foreword 5

General information on the GST/HST and the QST 6

- Definitions 7

Registration 9

- Should you register? 9
- Cancellation of registration 10

Taxable property and services 11

Exempt property and services 12

- Admission 12
- Free property and services 13
- Fundraising activities 13
- Games of chance 13
- Property and services sold at direct cost 14
- Memberships 16
- Public libraries 17
- Recreational programs 17
- Meals and lodging 17

Special cases 18

- Donations and gifts 18
- Grants and subsidies 18
- Sponsorships 18

ITCs and ITRs 19

- General operating expenses 19
- Capital property 20
- Simplified method for calculating ITCs and ITRs 22

Rebate for qualifying NPOs 23

- Qualifying NPO 23
- Expenses eligible for the rebate 24
- How to apply for the rebate 25
- Simplified method for calculating the rebate 26

GST rebate for printed books 28

Simplified accounting methods 29

Special Quick Method for qualifying NPOs 29
Quick Method for other NPOs 30

Real property 31

Taxable sales and rentals of real property 31
ITCs and ITRs for real property 31
Subsidized residential complexes 32
Special election for real property 33

Forms and publications 34

Main forms and guides 34
Other forms and guides 35
Publications 35

YOUR CONTRIBUTION TO THE QUALITY OF LIFE IN YOUR COMMUNITY IS SO GREAT THAT CERTAIN OF YOUR SALES OF PROPERTY AND SERVICES HAVE BEEN DESIGNATED TAX EXEMPT.

This brochure provides information on both taxable and exempt sales.
It also provides information to help you claim all the rebates to which you are entitled.

This document was prepared in collaboration with the Canada Revenue Agency.

Canada Revenue Agency Agence du revenu du Canada

This publication is provided for information purposes only. It does not constitute a legal interpretation of the *Excise Tax Act*, the *Act respecting the Québec sales tax* or any other legislation.

ISBN 978-2-550-67354-5 (Print Version)
ISBN 978-2-550-67353-8 (PDF)

Legal deposit – Bibliothèque et Archives nationales du Québec, 2013
Legal deposit – Library and Archives Canada, 2013

FOREWORD

This brochure, which is intended for non-profit organizations (NPOs), supplements the brochure entitled *General Information Concerning the QST and the GST/HST* (IN-203-V).

An NPO is an entity organized and operated solely for non-profit purposes. Its income must not be payable to its proprietors, shareholders or members, or made available to them for personal gain.

It should be noted that an individual, succession, trust, charity, public institution, municipality or government **is not** considered an NPO for the purposes of the goods and services tax (GST), the harmonized sales tax (HST) or the Québec sales tax (QST). This brochure is therefore not intended for them.

This brochure provides information on various subjects, including registration for the GST and the QST, taxable and exempt sales, input tax credits (ITCs), input tax refunds (ITRs), and the other refunds and rebates to which you may be entitled.

For information on source deductions and income tax, consult the brochure *Non-Profit Organizations and Taxation* (IN-305-V).

If you need further information or copies of this publication, contact us using one of the telephone numbers listed on the back of the brochure.

ABBREVIATIONS USED IN THIS DOCUMENT

FMV	Fair market value
GST	Goods and services tax
HST	Harmonized sales tax
ITC	Input tax credit
ITR	Input tax refund
NPO	Non-profit organization
QST	Québec sales tax

GENERAL INFORMATION ON THE GST/HST AND THE QST

The supply of most goods and services is subject to the GST and the QST. Most transactions conducted in Canada are GST-taxable at the rate of 5% of the sale price. Transactions conducted in Québec are subject not only to GST, but also to 9.975%[1] QST calculated on the sale price.

The HST applies in the participating provinces (in New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and British Columbia,[2] and in Prince Edward Island beginning April 1, 2013). Businesses registered for the GST are automatically registered for the HST; they are required to collect the HST on all taxable sales (other than zero-rated sales) that they make in the participating provinces. To find out what the applicable HST rates are in each of the participating provinces, consult our website at www.revenuquebec.ca.

Businesses in Québec that are registered for the GST/HST are required to collect the HST on sales they make in the participating provinces. However, the term "HST" is not used systematically throughout this brochure. Therefore, unless stated otherwise, we have used the term "GST" to refer to the GST/HST.

1. This rate was 9.5% from January 1 to December 31, 2012. Also, before January 1, 2013, the QST was calculated on the price including the GST.
2. Note that the HST no longer applies in British Columbia beginning April 1, 2013. However, the GST does apply in that province.

Definitions

The terms below are used frequently in this booklet. Their definitions are based largely on those provided in the *Excise Tax Act* and the *Act respecting the Québec sales tax*.

Charity

A registered charity or a registered Canadian amateur athletic association within the meaning of the *Income Tax Act* and the *Taxation Act*.

Commercial activity

Any activity carried out in the course of operating a business, pursuing a venture, or supplying real property, in order to make taxable sales. The making of exempt sales does not constitute a commercial activity.

Exempt sale

The sale of property or a service that is not subject to GST or QST. A person that sells exempt property or services is not required to collect the taxes.

FMV

The highest price that can be obtained in an open market where the buyer and the seller are well informed, are dealing at arm's length, and are not forced to buy or sell.

NPO

An entity organized and operated solely for non-profit purposes, whose income is not payable to its proprietors, members or shareholders, or made available to them for personal gain. However, its income may be paid to a member that is an association whose primary purpose is the promotion of amateur athletics in Canada.

An individual, succession, trust, charity, public institution, municipality or government cannot be considered an NPO.

Primarily

More than 50%.

Property

Includes real property and personal property, whether tangible or intangible, but does not include money. The terms used to refer to property are different for QST purposes than for GST purposes (see the list of equivalents below). We have used GST terms in this document.

GST	QST
Real property	Immovable property
Personal property	Movable property
Tangible (personal) property	Corporeal (movable) property
Intangible (personal) property	Incorporeal (movable) property

Examples of **tangible property** include desks, computers, cash registers, spare parts, cleaning products and pencils. Examples of **intangible property** include licences, patents, shares and copyrights.

Public institution

A registered charity within the meaning of the *Income Tax Act* and the *Taxation Act* that is also a school authority, public college, university, hospital authority, or a local authority determined to be a municipality.

Service

Anything that is supplied other than property or money. "Service" also excludes anything supplied by an employee to an employer in relation to the employee's office or employment.

Supply

The provision of property or a service in any manner whatsoever, including by way of sale, transfer, barter, exchange, licence, lease, gift or disposition.

In this brochure, we normally use the term "sale" instead of "supply" because sales account for most supplies.

Taxable sale

The sale of property or a service made in the course of a commercial activity. Such sales are subject to 5% GST and 9.975%[1] QST. A zero-rated sale is also considered a taxable sale. GST and QST registrants that sell taxable property or services (excluding zero-rated property or services) are required to collect the taxes.

Zero-rated sale

The sale of property or a service that is taxable at the rate of 0%. A person that sells zero-rated property or services is not required to collect the taxes.

1. This rate was 9.5% from January 1 to December 31, 2012. Also, before January 1, 2013, the QST was calculated on the price including the GST.

REGISTRATION

Should you register?

If you make taxable sales, you are generally required to register for the GST and the QST. You must then collect the taxes when you make taxable (other than zero-rated) sales. However, if you are considered a small supplier (see the definition below), you are usually not required to register even if you make taxable sales. If you are not a GST and QST registrant, you do not have to collect the taxes, except if you make certain taxable sales of real property.

As a rule, persons that are registered for the GST and the QST can claim a refund of the taxes they pay on property and services acquired for their commercial activities. The refund takes the form of an ITC under the GST system and an ITR under the QST system.

NPOs, on the other hand, may not claim ITCs or ITRs for property and services acquired for exempt activities. Nevertheless, certain NPOs, regardless of whether they are registered, may obtain a rebate of the GST and QST they pay on property and services that do not give entitlement to ITCs or ITRs. Consult the section "Rebate for qualifying NPOs" on page 23.

For further information regarding registration, refer to the brochure *Should I Register with Revenu Québec?* (IN-202-V).

Small supplier

You are not required to register for the GST and the QST if you are considered a small supplier, that is, if your total worldwide taxable sales during a given calendar quarter as well as all four calendar quarters immediately preceding that quarter did not exceed $50,000 (limit applicable to public service bodies). This amount does not include sales of capital property (such as buildings or automobiles).

Voluntary registration

Even though you are considered a small supplier, you may decide to register for the GST and the QST if you sell taxable property or services. However, you must then collect the taxes when you make taxable (other than zero-rated) sales.

In addition, you may claim ITCs and ITRs for expenses incurred to make taxable sales.

Branches or divisions

If you have branches or divisions, you may apply to have each one designated as a small-supplier division for the purposes of the rule pertaining to small suppliers. If the application is approved, the branch or division will not be required to collect or remit GST and QST when it makes taxable sales (other than certain taxable sales of real property). Similarly, it will not be entitled to ITCs or ITRs for the taxes paid on its purchases. A branch or division may qualify as a small-supplier division if it meets the following conditions:

- Its taxable sales worldwide did not exceed $50,000 during a given calendar quarter as well as all four calendar quarters immediately preceding that quarter.
- It is distinguishable from other branches or divisions by its location or the nature of its activities.
- Its records, books of account and accounting systems are maintained separately from those of other branches or divisions.
- An earlier designation, if applicable, was not revoked in the previous 365-day period.

To apply for designation as a small-supplier division, you must complete form FP-631-V, *Application by a Public Service Body to Have Branches or Divisions Designated as Small-Supplier Divisions*.

An unincorporated organization may elect to be considered a branch or division of another unincorporated organization of which it is a member, rather than as a separate person. In that case, the GST and QST do not apply to supplies of property or services between the two organizations. To make such an election, you must complete form FP-632-V, *Application by an Unincorporated Organization to Be Considered a Branch of Another Unincorporated Organization*.

Cancellation of registration

You may request that your registration for the GST and the QST be cancelled if you determine that you are not required to register. However, if you are a small supplier, you must have been registered for at least one year before you can cancel your registration. The cancellation can take effect at any time during your fiscal year. To request the cancellation of your registration, you must complete form LM-1.A-V, *Request for Cancellation or Variation of Registration*.

TAXABLE PROPERTY AND SERVICES

The GST and the QST apply to most of the property and services sold by NPOs. Taxable (other than zero-rated) property and services include

- registration fees for conferences, seminars and trade shows;
- physical fitness courses for adults;
- meals sold by restaurants;
- new property sold for more than its direct cost in gift shops (consult the section "Property and services sold at direct cost" on page 14);
- cash registers (capital property) used in gift shops that sell taxable property.

Zero-rated sales are sales that are taxable at the rate of 0%. Property and services that are usually zero-rated include

- basic groceries (such as milk, bread, vegetables, meat and fish);
- prescription drugs;
- certain medical devices (such as wheelchairs, hearing aids, eyeglasses, canes and crutches).

EXEMPT PROPERTY AND SERVICES

Certain taxable property and services become exempt when they are sold by an NPO under specific conditions.

Admission

Admission to a place of amusement, performance or sporting event is exempt when it is sold by an NPO under specific conditions.

Place of amusement

A place of amusement is any place that presents spectacles such as films, slide shows, artistic presentations, fairs, circuses, races or athletic contests. It also includes museums, historical sites, wildlife parks, zoos, and places where bets are taken.

Admission to a place of amusement is exempt if the **maximum amount** charged to customers does not exceed $1.

Performance or athletic event

Ticket sales to performances or athletic or competitive events 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, reasonable amounts remitted as prizes, gifts, or allowances for travel or for other incidental expenses are not considered remuneration.

In addition, the performance or event cannot be advertised as featuring paid participants.

You must collect GST and QST on admission to events where professional competitors compete for cash prizes, for example, professional golf tournaments.

Example

An NPO organizes a soccer tournament. All of the participants are young people, and they do not receive any remuneration. Gold, silver and bronze medals will be awarded to the three best teams.

Grants have been accorded by the municipalities of the participating teams. Advertising for the event focuses on the participation of young people, and no celebrities are featured.

Admission for spectators is exempt.

Free property and services

Sales of property and services are exempt when all or substantially all (90% or more) of the property or services are provided free of charge.

This rule does not apply to blood or blood derivatives that are zero-rated.

Fundraising activities

Tangible personal property sold for fundraising purposes is exempt if the following conditions are met:

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

However, sales of alcoholic beverages and tobacco products are taxable.

Example
The players of a minor hockey league organization sell chocolate bars door-to-door for $5 apiece in order to raise funds for their activities. The sales are exempt.

Games of chance

If you organize games of chance, such as a bingo or a casino night, you should know that the taking of bets and the sale of bingo cards are exempt.

If you organize games of chance and charge a separate admission fee for that event, the fee is exempt provided 90% or more of the functions are carried out by volunteers. In the case of a bingo or casino event, the fee is also exempt provided the activity is not held in a place (including a temporary structure) used primarily for games of chance.

Example
A bingo tent is put up on a fair ground. Admission is taxable.

Property and services sold at direct cost

Certain taxable property and services may become exempt when they are sold at direct cost.

The rules concerning sales at direct cost do not apply to supplies made by way of lease, licence or similar arrangement. Nor do they apply to sales of capital property or supplies of intangible personal property.

The direct cost of a property or service corresponds to its cost, including GST, QST and the duties and fees paid at the time of purchase. However, it does not include the QST rebate that may be claimed by an organization not registered for the GST and the QST. Nor does it include employee salaries or administrative or overhead expenses incurred to supply the property or service.

	Property or service acquired	**Property produced or manufactured by the organization**
Included in the direct cost	Purchase price of the property or service (including GST and QST)	Purchase price of components and packaging (including GST and QST)
Excluded from the direct cost	Administrative expenses incurred to supply the property or service	Administrative expenses incurred to supply the property or service
	Overhead expenses incurred to supply the property or service	Overhead expenses incurred to supply the property or service
	Salaries	Salaries or services
	Capital costs	Capital costs
	QST rebate for a non-registered organization	QST rebate for a non-registered organization

Seller registered for the GST and the QST

If you wish to recover only the direct cost of a property or service, you may elect to make the sale of the property or service exempt, provided

- you do not charge GST and QST, and the total price is within the normal range and does not exceed its direct cost;
- you charge the taxes separately, and the price (taxes excluded) is within the normal range and is less than its direct cost (taxes excluded). In this case, the taxes are considered to be collected in error.

In all other cases, such sales would be taxable.

Seller does not charge the taxes.	Total price ≤ direct cost	Exempt sale
	Total price > direct cost	Taxable sale
Seller charges the taxes.	Price (taxes excluded) < (direct cost – GST – QST)	Exempt sale
	Price (taxes excluded) ≥ (direct cost – GST – QST)	Taxable sale

Examples

You buy sweaters bearing your organization's logo for $15.66 apiece, plus $0.78 GST[1] and $1.56 QST. The direct cost of each sweater is thus $18 ($15.66 + $0.78 + $1.56), that is, the purchase price plus GST and QST.

- If you sell the sweaters for $18 apiece and do not collect the GST and QST, the sale is exempt because the total price is equal to the direct cost. You can claim GST and QST rebates if you are a qualifying NPO.
- If you sell the sweaters for $15.66 apiece and collect $0.78 GST and $1.56 QST, the sale is taxable because the price (excluding taxes) is equal to the direct cost (excluding taxes). You must remit the taxes collected and you can claim an ITC and an ITR for the GST and the QST you paid when you bought the sweaters.

Seller not registered for the GST and the QST

If you want to recover only the direct cost of a property or service, you may elect to make the sale of the property or service exempt provided the total price is within the normal range and does not exceed the direct cost. However, if the total price exceeds the direct cost, the sale is taxable.

Seller does not charge the taxes	Total price ≤ direct cost	Exempt sale
	Total price > direct cost	Taxable sale

Example

You buy sweaters bearing your organization's logo for $15.66 apiece, plus $0.78 GST[1] and $1.56 QST. As a qualifying NPO, your organization is entitled to a rebate of $0.78. The direct cost is thus $17.22 ($15.66 + $0.78 + $1.56 - $0.78), that is, the purchase price plus GST and QST minus the QST rebate to which your organization is entitled.

If you sell the sweaters for $17.22 apiece, the sale is exempt because the total price is equal to the direct cost.

1. In this example, "GST" means GST only, not GST/HST.

Memberships

Memberships in an NPO, a professional association or a registered party are exempt under certain conditions.

NPO

Memberships in an NPO are exempt if each member receives only the following benefits:

- an indirect benefit available 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 at or participate in meetings;
- the right to receive or acquire property or services for a fee equal to their FMV. The cost is in addition to the membership fee;
- the right to take advantage of a discount for property or services sold by the organization if the value of the discount is insignificant (less than 30%) in relation to the membership fee;
- the right to receive periodic newsletters, reports or other publications
  - that have a value that is insignificant in relation to the membership fee;
  - that provide information solely on the organization's activities or financial status, except if their value is significant in relation to the membership fee and the NPO ordinarily charges a fee 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. For example, membership in a golf club is taxable.

Example

A $100 membership fee provides a member of an organization with a $5 discount for 10 admissions to the theatre, or a total discount of $50. The membership fee would be taxable since the value of the discount granted to members is significant (30% or more) in relation to the value of the fee, whether or not the member takes advantage of the discount.

Even if your membership fees are exempt, you may elect to have them treated as taxable. This election allows you to claim ITCs and ITRs for any expenses related to the memberships. If your members are registered for the GST and the QST and are using their memberships for their commercial activities, they too may claim ITCs and ITRs for the taxes they pay on their membership fees. To elect to have your memberships treated as taxable, you must complete form FP-623-V, *Election by a Public Sector Body to Have Exempt Memberships Treated as Taxable Supplies*.

Professional association

Memberships in a professional association are exempt provided the members are required by law to be members in order to maintain their professional status.

However, you may elect to have memberships treated as taxable. For this purpose, you must complete form FP-2018-V, *Election to Tax Memberships in a Professional Organization*.

Registered political party

Memberships in a registered political party are always exempt, and you may not elect to make them taxable.

Public libraries

The supply of rights conferring borrowing privileges at public lending libraries is exempt.

Recreational programs

If you offer recreational programs intended primarily for children aged 14 or under, the fees for such programs are exempt. They become taxable, however, if a large part of the program involves overnight supervision.

Fees for recreational programs intended primarily for underprivileged individuals or individuals with a disability are exempt. This is also the case when such programs include board, lodging or recreational services at recreational camps.

A recreational program may include the following activities: athletics, outdoor recreation, music, dance, crafts, arts or hobbies.

Meals and lodging

Food, beverages and short-term accommodation (for less than one month) provided to relieve the poverty, suffering or distress of individuals are exempt.

Example
Meals provided by an NPO at a "soup kitchen" are exempt.

Food or beverages provided to seniors, underprivileged individuals or individuals with a disability under programs designed to offer prepared meals in an individual's home, such as meals-on-wheels programs, are exempt. Food and beverages sold to an NPO under such programs are also exempt.

SPECIAL CASES

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.

The GST and the QST do not apply to donations and gifts. Nor do they apply if the donor receives property in return that has little or no resale value, such as a key ring or a pin.

Grants and subsidies

Grants and subsidies can range from a simple contribution to an NPO to sums provided for major projects funded by a governement, municipality or other organization. The GST and the QST do not usually apply to such payments **if the grantor does not receive any property or services in return**.

Sponsorships

If you receive a sponsorship from a business in exchange for promotional services or the right to use your logo, the sums you receive are not subject to GST and QST. If the promotional services primarily involve advertising on television or radio, or in a newspaper, magazine or other periodical, they are considered to be a supply of an advertising service. This type of service is generally taxable when rendered by an NPO.

Example

The players on your curling team wear uniforms that display the name of a business that sponsors them. The sums paid to you by the business are not subject to GST and QST.

ITCs AND ITRs

If you are a GST and QST registrant, you may recover the taxes paid on property and services purchased for use in your commercial activities, that is, to make taxable sales (including zero-rated sales). This is done by claiming ITCs under the GST system and ITRs under the QST system.

The following property and services can give entitlement to ITCs and ITRs:

- property purchased for resale;
- property purchased to manufacture other property intended for sale;
- capital property such as office furniture, vehicles or real property used primarily in your commercial activities;
- stationery, advertising, telephone service and the rental of photocopy machines.

You may not claim ITCs and ITRs for property and services purchased for use in your exempt activities. However, some NPOs may obtain a rebate of the GST and QST they pay on such purchases. Consult the section "Rebate for qualifying NPOs" on page 23.

General operating expenses

General operating expenses are expenses that you incur in the day-to-day operation of your business. They include expenses relating to the management, administration, and other support functions of the business, as well as expenses incurred for the rental of office space and equipment and the purchase of pens and stationery.

To calculate the ITCs and ITRs to which you are entitled, you must determine the proportion in which the property or services for which you have paid GST and QST are used in your commercial activities. If the percentage of commercial use is 90% or more, you may claim an ITC and an ITR equal to the full amount of GST and QST you paid. If it is more than 10% but less than 90%, you may claim an ITC or an ITR based on this percentage. If the percentage of commercial use is 10% or less, you cannot claim an ITC or an ITR.

Commercial use	ITCs and ITRs
90% or more	Amount of taxes paid
Between 10% and 90%	Amount of taxes paid x % of commercial use
10% or less	No ITCs or ITRs

If an expense cannot be attributed solely to your taxable activities or your exempt activities, you must apportion it between the two. For this purpose, you must choose a fair and reasonable method of assessment and use it consistently for at least the duration of the fiscal year. Methods based on the allocation of space, time, cost or revenue may be used under certain conditions.

Example

You use the ground floor of a building you own to operate a retail store (commercial activity) and the second floor to carry on an exempt activity. Your electricity bill for the entire building is $500 a month, plus $25 GST[1] and $49.88 QST. You determine that 60% of the electricity is used to operate the retail store and 40% is used to carry on your exempt activity on the second floor.

You may claim an ITC of $15 ($25 x 60%) and an ITR of $29.93 ($49.88 x 60%) for the portion of the electricity used to carry on commercial activities.

Capital property

Capital property is depreciable property for which capital cost allowance can be claimed. It also includes non-depreciable property for which any gain or loss (particularly following its sale) would result in a capital gain or capital loss.

Capital property includes real property, such as land and buildings, and movable property, such as photocopy machines, office furniture, cash registers and equipment.

Certain rules apply when you claim ITCs and ITRs for capital property. If such property is used in a proportion of over 50% in your commercial activities, you may claim an ITC and an ITR equal to the full amount of GST and QST paid. However, if the percentage of commercial use is 50% or less, you are not entitled to an ITC or an ITR.

Commercial use	ITC and ITR
More than 50%	Amount of taxes paid
50% or less	No ITCs or ITRs

Example

You buy office furniture for $2,000, plus $100 GST[1] and $199.50 QST. You will use the furniture in a proportion of 60% in your commercial activities and 40% in your exempt activities.

Since the furniture's percentage of commercial use is higher than 50%, you may claim an ITC of $100 and an ITR of $199.50.

You may make an election to have certain exempt sales of real property treated as taxable sales. To find out what ITCs and ITRs you can claim, consult the section "Special election for real property" on page 33.

1. In this example, "GST" means GST only, not GST/HST.

Change in use

Your use of capital property may change over the years. You will be required to recover or pay GST and QST for certain changes in use.

Capital property that you used in a proportion of over 50% in your exempt activities is now used in a proportion of over 50% in your commercial activities.

You may claim ITCs and ITRs to recover all or part of the GST and QST you paid.

The ITC or ITR you may claim for such property is equal to the amount of GST or QST that you paid on the property and any improvements thereto. However, you must deduct any amounts (other than ITCs or ITRs) that you were entitled to recover by rebate, remission or otherwise. You must also take into account any depreciation in the value of the property.[1]

Capital property that you used in a proportion of over 50% in your commercial activities is now used in proportion of over 50% in your exempt activities.

You must remit all or part of the ITCs and ITRs you claimed.

The GST or QST that you must remit for such property is equal to the GST or QST that you paid on the property and any improvements thereto. However, you must deduct any amounts (other than ITCs or ITRs) that you were entitled to recover by rebate, remission or otherwise if the property was acquired for your exempt activities. You must also take into account any depreciation in the value of the property.

Example

In 2012, you bought office furniture that was used in a proportion of 60% in your exempt activities. You paid $1,500 for the furniture, plus $75 GST[2] and $149.63 QST. You claimed a rebate of 50% of the taxes you paid, that is, a GST rebate of $37.50 and a QST rebate of $74.82.

In 2013, you began to use the furniture in a proportion of 60% in your commercial activities. The FMV of the furniture was $1,200 at the time of the change in use.

The ITC and the ITR to which you are entitled are as follows:

ITC = ($75 - $37.50) x $1,200 / $1,500 = $30

ITR = ($149.63 - $74.82) x $1,200 / $1,575 = $57.00

1. The *Excise Tax Act and the Act respecting the Québec sales tax* refer to the "basic tax content".
2. In this example, "GST" means GST only, not GST/HST.

Simplified method for calculating ITCs and ITRs

This method is an alternative way of calculating ITCs and ITRs. When you use it, you do not have to calculate the exact amount of tax applicable to each invoice, but need only take into account the amount of your taxable purchases (including GST and QST) for which you may claim ITCs and ITRs.

The simplified method may be used only for property and services acquired to make taxable sales. Property that is used to make both taxable and exempt sales gives entitlement to ITCs and ITRs only for the portion acquired for your commercial activities.

You may use the simplified method if you meet the following conditions:

- You are a GST and QST registrant.
- Your taxable (other than zero-rated) purchases in Canada for the previous fiscal year did not exceed $4 million[1] and are not expected to exceed that amount for the current fiscal year.
- The total of your worldwide taxable sales and those of your associates for the previous fiscal year did not exceed $1 million[1] and are not expected to exceed that amount for all quarters ended in the current fiscal year.

For more information on the simplified method for calculating ITCs and ITRs, consult the brochure *General Information Concerning the QST and the GST/HST* (IN-203-V).

1. These threshold amounts apply to the calculation of the net tax for a reporting period beginning after 2012. Previously, these amounts were $2 million and $500,000.

REBATE FOR QUALIFYING NPOs

Certain NPOs may claim a rebate of 50% of the GST[1] and QST that they paid on eligible purchases for which they cannot claim ITCs or ITRs.

If you buy property or services in one of the provinces where the HST applies, you may be entitled to a rebate of the HST paid. For more information, consult the Canada Revenue Agency guide *GST/HST Public Service Bodies' Rebate* (RC4034).

Qualifying NPO

To qualify for the rebate, an NPO must receive at least 40% of its revenue for the current fiscal year or the previous two fiscal years from government funding.

For example, in order to claim the rebate for your fiscal year ending in 2012, you must determine the percentage of government funding you received for that fiscal year and the total percentage received for the fiscal years ended in 2010 and 2011. The percentage of government funding must be at least 40% for one of these periods.

Government funding means funds received to help you attain your objectives, as well as funds received to allow you to make exempt sales of property or services to a third party.

The sums may be paid to you directly or through another organization, and must be shown in your financial statements as government funding. If they are paid to you through another organization, the latter must certify that they constitute government funding. For this purpose, the organization must complete form FP-322-V, *Certificate of Government Funding*.

The funds must be received from one of the following:

- the federal government, a provincial government or a municipal administration;
- a corporation that is controlled by a government or by a municipal administration and one of the main purposes of which is to fund non-profit endeavours;
- a trust, board, commission or other body that is established by a government, administration or corporation (as described above) and one of the main purposes of which is to fund non-profit endeavours;
- an Indian band.

You must demonstrate that you qualify for the rebate for the fiscal year in which you claim it. For this purpose, you must complete form FPZ-523-V, *Non-Profit Organizations – Government Funding*, and enclose it with your rebate application.

NPOs **do not have to be registered** for the GST or the QST in order to claim the rebate.

1. In this section, "GST" means GST only, not GST/HST.

Expenses eligible for the rebate

You can claim the rebate for most of the expenses you incur, provided the expenses do not give you entitlement to ITCs or ITRs. Certain expenses, however, do not give entitlement to the rebate.

Expenses for which you **can** claim the rebate include

- general operating expenses such as rent, utilities and administration expenses for which you may not claim ITCs or ITRs;
- eligible allowances and reimbursements that you pay to employees;
- property and services purchased for use, consumption or supply in the course of your exempt activities;
- capital property that you intended to use primarily in your exempt activities at the time you purchased the property.

Expenses for which you **cannot** claim the rebate include

- memberships to a club that provides its members with recreational, dining or sporting facilities;
- alcoholic beverages that you buy for resale without a meal when no taxes are payable on the resale of such beverages;
- property or services that 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, the underprivileged, individuals with a disability, or individuals with limited financial resources who qualify under a means or income test;
- property or services purchased primarily 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, the underprivileged, individuals with a disability, or individuals with limited financial resources who qualify under a means or income test.

If you are not registered for the GST and the QST, most of your expenses are eligible for the rebate. Since you cannot claim ITCs or ITRs, the expenses you incur for both your taxable and exempt sales give entitlement to the rebate.

Expenses related to activities of a municipal nature that are not eligible for the QST rebate

The QST system provides for additional restrictions with regard to the QST rebate for NPOs.

Property and services acquired to carry out exempt activities of a **municipal nature** do not give entitlement to the QST rebate.

Such exempt activities include

- a service that consists in installing, repairing or maintaining a water distribution, sewer or drainage system;
- a service that consists in maintaining or repairing roads, streets or sidewalks;
- a snow removal service;
- a garbage collection service;
- a recreational program intended primarily for children aged 14 or under, or for underprivileged individuals or individuals with a disability if the program is intended for a clientele defined by its inclusion within the territory of a municipality;
- the supply of a right conferring borrowing privileges at a public library if such privileges are intended for a clientele defined by its inclusion within the territory of a municipality.

How to apply for the rebate

When you file an application for the first time, you have to complete form FPZ-66-V, *GST/HST Rebate Application for Public Service Bodies* for the purposes of the GST, and form VDZ-387-V, *Application for QST Rebate for Public Service Bodies*, for QST purposes.

After we process your application, we will send you a personalized version of these forms for your next rebate application. Once every fiscal year, you have to enclose a copy of form FPZ-523-V, *Non-Profit Organizations – Government Funding*, with your application to confirm what percentage of your revenue is derived from government funding.

To be able to justify this percentage, you must wait until the end of your first fiscal year before you file your first rebate application.

Time limit for applying

If you are registered for the GST and the QST, you must apply for the rebate at the time of filing your return, whether monthly, quarterly or annually. You must file your application within four years following the day you were required to file your return for the period during which you incurred the expenses.

If you are not registered for the GST and the QST, you must submit one application for the first six months of your fiscal year, and another for the last six months. You must file your application within four years following the last day of your filing period.

Please note that you may file only one application for each period.

Branches and divisions

If your organization has several branches or divisions, you may apply for authorization to have them file separate rebate applications. Each branch or division must be separately identified by its location or the nature of its activities, and separate records, books of account and accounting systems must be maintained for it. To apply for authorization, you must complete form FP-2010-V, *Application to File Separate Returns – Request to File Separate Rebate Applications – Revocation of Application or Request*.

If you elect to have your branches or divisions file separate returns (consult the section "Branches or divisions" on page 10), they must also file their own rebate applications.

Simplified method for calculating the rebate

A simplified method has been developed to allow you to calculate your rebate more easily. When you use this method, you do not have to keep track of the GST and QST indicated on each invoice. You must, however, distinguish between the total amount of purchases on which you paid GST and QST and the total amount of purchases on which you did not pay GST and QST.

You may use the simplified method if you meet the following conditions:

- Your taxable (other than zero-rated) purchases for the previous fiscal year did not exceed $4 million[1] and are not expected to exceed that amount for the current fiscal year.
- The total of your worldwide taxable sales and those of your associates for the previous fiscal year did not exceed $1 million[1] and are not expected to exceed that amount for all quarters ended in the current fiscal year.

You do not have to complete any forms in order to use this method.

To calculate your GST[2] and QST rebates, follow the steps described below:

- **Calculate your total purchases (other than real property)**

  Add up your taxable purchases for which you paid GST and QST.

  In calculating this total, **include** the purchase price, GST and QST, interest and penalties paid to your suppliers for late payments, reasonable tips and customs duties. Also include purchases made by your employees or volunteers on your behalf.

  Do not include purchases for which you may claim an ITC or an ITR, expenses on which you did not pay GST or QST, purchases from non-registrants, the portion of meal and entertainment expenses that does not give entitlement to an ITC or an ITR, and purchases of real property.

  If you are a registrant, apportion your purchases between your commercial activities and your exempt activities.

  Note that for the purpose of calculating the GST rebate, total purchases exclude the refundable portion of QST.

- **Calculate the taxes paid on your purchases (other than real property)**

  Multiply your total purchases by 5/105 for GST purposes and by 9.975/109.975[3] for QST purposes.

- **Calculate the total taxes paid on your purchases (real property and other purchase)**

  Add to the GST paid on your purchases (except the GST paid on the purchase of real property) the GST paid on purchases of real property for which you may not claim ITCs.

  Add to the QST paid on your purchases (except the QST paid on the purchase of real property) the QST paid on purchases of real property for which you may not claim ITRs.

- **Calculate your GST and QST rebate**

  Multiply the total GST paid on your purchases (real property and other purchases) by 50%. Repeat the same calculation for the QST paid.

1. These threshold amounts apply to the calculation of the rebate for a filing period beginning after 2012. Previously, these amounts were $2 million and $500,000.
2. In this calculation, “GST” means GST only, not GST/HST.
3. This tax fraction was 9.5/109.5 from January 1 to December 31, 2012.

GST REBATE FOR PRINTED BOOKS

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

- You are a qualifying NPO (see the definition in the section "Rebate for qualifying NPOs" on page 23).
- You operate a public lending library or your main purpose is to promote literacy.
- The printed books, audio recordings of printed books, and printed versions of religious scriptures are not bought for resale. In addition, an NPO whose main purpose is to promote literacy qualifies for the rebate if it purchased those items in order to supply them as gifts.

NPOs whose main purpose is to promote literacy must contact the Canada Revenue Agency in order to be recognized in this capacity by regulation and be entitled to claim the GST rebate for printed books.

The application must be submitted on form FPZ-66-V, *GST/HST Rebate Application for Public Service Bodies*.

For more information, consult the GST/HST memorandum *Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures* (13-4) available on the Canada Revenue Agency website at www.cra-arc.gc.ca.

Note that this measure **does not exist** under the QST system. The sale of printed books identified by an International Standard Book Number (ISBN) is zero-rated for the purposes of the QST.

SIMPLIFIED ACCOUNTING METHODS

This section is intended solely for NPOs that are **registered** for the GST and the QST. As registrants, they must keep track of the taxes they pay on their purchases and the taxes they collect on their sales. Simplified calculation methods have been developed to facilitate this task. **Qualifying NPOs** (see the definition in the section "Rebate for qualifying NPOs" on page 23) can use the Special Quick Method of Accounting reserved for public service bodies, while other NPOs can use the Quick Method.

Special Quick Method for qualifying NPOs

Owing to the special nature of their activities, qualifying NPOs may use the Special Quick Method of Accounting reserved for public service bodies to calculate the amount of GST and QST they have to remit.

When you use the Special Quick Method, you collect GST and QST in the usual way on all taxable sales, but remit only a reduced percentage. You may not claim ITCs or ITRs on most of your purchases and expenses since you keep part of the taxes you collect on your sales. However, you may claim a rebate in the usual manner. See the section "Rebate for qualifying NPOs" on page 23.

To calculate[1] the amount of taxes to be remitted, follow the steps described below:

- **Calculate your taxable sales**

  Add up the amounts of your taxable sales (including GST collected under the GST system and QST collected under the QST system) for each reporting period.

  Do not include sales of real property and capital property whose value is less than $10,000 (excluding GST and QST), supplies of financial services, zero-rated sales, sales made outside Canada for GST purposes and outside Québec for QST purposes, and sales made to purchasers who are not required to pay tax (such as Indians).

- **Calculate the taxes on your taxable sales**

  Multiply your total sales by 3.6% for GST purposes and by 7.3% for QST purposes.

- **Calculate the taxes on your other taxable sales**

  Add to the previous amount the GST collected on sales not included in calculating your taxable sales (for example, on sales of real property and certain capital property) and the tax you have to remit for a change in use of capital property. Repeat this step for the QST.

1. In this calculation, "GST" means GST only, not GST/HST.

- **Calculate the taxes you have to remit**

  Subtract from the amount of GST collected the ITCs that you may claim; for example, on purchases of and improvements to real property and certain capital property whose value is less than $10,000 (excluding GST and QST). Subtract from the amount of QST collected the ITRs that you may claim in regard to such property.

If you make sales in the participating provinces, consult the Canada Revenue Agency guide *The Special Quick Method of Accounting for Public Service Bodies* (RC4247).

To elect to use the Special Quick Method of Accounting, qualifying NPOs must complete and file form FP-2287-V, *Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting*.

Quick Method for other NPOs

If you **are not** a qualifying NPO, you may not use the Special Quick Method of Accounting. However, you may be entitled to use the Quick Method of Accounting available to businesses.

To use the Quick Method, your total annual taxable sales worldwide must not exceed:

- $400,000[1] (GST[2] included), under the GST system;
- $418,952 (QST included), under the QST system.

This total includes zero-rated sales and sales made by associates.

When you use the Quick Method, you collect GST and QST on your taxable sales in the usual manner. However, you use reduced rates to calculate the amount of tax you have to remit.

Depending on the type of activities your business is engaged in, you must multiply your total taxable (other than zero-rated) sales in Canada by 1.8% or 3.6% for GST purposes, and your total taxable (other than zero-rated) sales in Québec by 3.4% or 6.6% for QST purposes. However, you may not claim ITCs or ITRs for most of your purchases and expenses since you keep part of the taxes you collect on your sales.

If you make sales in the participating provinces, consult the Canada Revenue Agency guide *The Special Quick Method of Accounting for Public Service Bodies* (RC4247) to find out what the applicable rates are.

To use the Quick Method, you must file form FP-2074-V, *Election or Revocation of Election Respecting the Quick Method of Accounting*.

For more information, consult the brochure *General Information Concerning the QST and the GST/HST* (IN-203-V).

1. These threshold amounts apply to the calculation of the net tax for a reporting period beginning after 2012. Previously, these amounts were $200,000 and $219,000.
2. In this section, “GST” means GST only, not GST/HST.

REAL PROPERTY

This section discusses the various rules applicable to the sale and rental of real property, such as land and buildings.

Taxable sales and rentals of real property

Most sales and leases of real property by NPOs are exempt. In some cases, however, they are taxable. Taxable sales and leases of real property include

- sales of new houses or houses that have undergone substantial renovations;
- sales of vacant land to an individual;
- sales of real property that an NPO uses primarily in its commercial activities;
- leases of short-term accommodation for less than one month, unless such accommodation is provided to relieve the poverty, suffering or distress of individuals, or it is rented for $20 or less per day of occupancy;
- leases of real property (other than short-term accommodation) made in the course of your business activities, when the continuous use of the real property is for a period of less than one month.

ITCs and ITRs for real property

To claim ITCs and ITRs for real property, you must observe certain rules.

If the real property's percentage of use in your commercial activities is over 50%, you may claim an ITC and an ITR equal to the full amount of GST and QST you paid. If the percentage of use is 50% or less, you may not claim an ITC or an ITR.

Commercial use	**ITC and ITR**
More than 50%	Amount of taxes paid
50% or less	No ITCs or ITRs

The use of real property may change over the years. If the real property that was used in a proportion of over 50% in your exempt activities is now used primarily in your commercial activities, you may claim ITCs and ITRs. On the other hand, if the real property that was used in a proportion of over 50% in your commercial activities is now used primarily in your exempt activities, you may have to remit the ITCs or ITRs you claimed earlier. For information on the rules that apply in such situations, consult the section "Change in use" on page 21.

Subsidized residential complexes

The following rules apply to NPOs that receive government funding to build a residential complex where they intend to lease at least 10% of the residential units to seniors, youths, students, individuals with a disability, or individuals with low incomes.

In this case, government funding means an amount of money reserved to assist you in building the residential complex, or a forgivable loan that is granted by a government (federal or provincial), a municipal administration, an Indian band, or a body established by a government or an administration to fund charitable and non-profit endeavours on its behalf.

During the construction of the residential complex, you may register for the GST and the QST, and may thus claim ITCs and ITRs for the property and services you buy.

When the construction is substantially completed, and you lease the first residential unit for use by an individual as a place of residence, the building is deemed to have been sold. You must then calculate and remit the GST and QST based on the greater of the following amounts:

- the GST and QST calculated on the FMV of the residential complex; or
- the GST and QST paid on the acquisition of the land, on the construction of the building and on any improvements to the property.

Example

An NPO registers for the GST[1] and the QST in order to build a multiple-unit residential complex for seniors. It receives government funding for the building's construction. The organization paid $10,000 GST and $19,950 QST on the purchase of the land, and $48,750 GST and $97,256 QST on the construction of the building. It claimed ITCs and ITRs to recover the taxes paid. The FMV of the building is lower than the total cost paid for the land and construction of the building.

When the NPO first leases a unit in the complex to an individual as a place of residence, it must remit GST and QST equal to the amount of taxes it paid on the purchase of the land and the construction of the building. In other words, it must remit $58,750 ($10,000 + $48,750) GST and $117,206 ($19,950 + $97,256) QST.

1. In this example, "GST" means GST only, not GST/HST.

Special election for real property

Most sales and leases of real property by NPOs are exempt. Even if you are a registrant, you may not claim ITCs or ITRs to recover the taxes you paid on the acquisition of real property used primarily in the course of your exempt activities, or on any improvements to such real property. Consult the section "Capital property" on page 20.

However, you may elect to have exempt sales and leases of real property treated as taxable. This election allows you to claim, in accordance with the rules for general operating expenses (consult these rules on page 19), ITCs and ITRs for the GST and QST you paid on an real property, based on its percentage of commercial use. For example, real property that is used in more than 10% of your commercial activities gives entitlement to ITCs and ITRs for the GST and QST paid on the acquisition of the real property, on any improvements thereto and on expenses related to it, based on the real property's percentage of commercial use. The rule pertaining to primary use (50% rule) that an NPO generally follows in claiming ITCs and ITRs for real property does not apply in such cases.

You may elect to have exempt sales and leases of real property treated as taxable under the following conditions:

- The real property is capital property.
- The real property is held in inventory.
- The real property is leased for the purpose of re-leasing it.

Real property includes both land and the buildings located on it.

To make this election, you must complete form FP-2626-V, *Election or Revocation of the Election by a Public Service Body to Have an Exempt Supply of Real Property (an Immovable) Treated as a Taxable Supply.*

FORMS AND PUBLICATIONS

The documents referred to in this chapter are available on our website at **www.revenuquebec.ca**. You may also order them online or by calling one of the numbers listed on the back of this brochure.

Main forms and guides

If you are a registrant, you must, where applicable, complete the following forms for each reporting period.

Form/guide	GST	QST	GST-QST
GST/HST Rebate Application for Public Service Bodies	FPZ-66-V	VDZ-387-V	
Guide to the GST/HST Rebate Application for Public Service Bodies	FP-66.G-V		
Public Service Bodies: Detailed Calculations		VDZ-387.G-V	
Non-Profit Organizations – Government Funding			FPZ-523-V
GST/HST– QST Return[1]	FPZ-34-V	VDZ-471-V	FPZ-500-V or FPZ-500.AR-V

If you are not a registrant, you must complete the forms listed below to claim a refund.

Form/guide	GST	QST	GST-QST
GST/HST Rebate Application for Public Service Bodies	FPZ-66-V	VDZ-387-V	
Guide to the GST/HST Rebate Application for Public Service Bodies	FP-66.G-V		
Public Service Bodies: Detailed Calculations		VDZ-387.G-V	
Non-Profit Organizations – Government Funding			FPZ-523-V

1. Registered NPOs whose total annual taxable sales exceed $1.5 million are required to file their GST/HST and QST returns electronically. Total annual taxable sales **exclude** sales made outside Canada, zero-rated exports of property and services, zero-rated financial services and taxable sales of real property and goodwill.

Other forms and guides

Form/guide	GST-QST
Certificate of Government Funding	FP-322-V
Special-Purpose Return	FP-505-V
Election by a Public Sector Body to Have Exempt Memberships Treated as Taxable Supplies	FP-623-V
Application by a Public Service Body to Have Branches or Divisions Designated as Small-Supplier Divisions	FP-631-V
Application by an Unincorporated Organization to Be Considered a Branch of Another Unincorporated Organization	FP-632-V
Application to File Separate Returns – Request to File Separate Rebate Applications – Revocation of Application or Request	FP-2010-V
Election to Tax Memberships in a Professional Organization	FP-2018-V
Election or Revocation of Election Respecting the Quick Method of Accounting	FP-2074-V
Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting	FP-2287-V
Election or Revocation of the Election by a Public Service Body to Have an Exempt Supply of Real Property (an Immovable) Treated as a Taxable Supply	FP-2626-V
Request for Cancellation or Variation of Registration	LM-1.A-V

Publications

Directors' Liabilities	IN-107-V
Should I Register with Revenu Québec?	IN-202-V
General Information Concerning the QST and the GST/HST	IN-203-V
Non-Profit Organizations and Taxation	IN-305-V

TO CONTACT US

Online

www.revenuquebec.ca

By telephone

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.
Wednesday: 10:00 a.m. to 4:30 p.m.

Individuals and individuals in business

Québec City	Montréal	Elsewhere
418 659-6299	**514 864-6299**	**1 800 267-6299** (toll-free)

Businesses, employers and agents for consumption taxes

Québec City	Montréal	Elsewhere
418 659-4692	**514 873-4692**	**1 800 567-4692** (toll-free)

Persons with a hearing impairment

Montréal	Elsewhere
514 873-4455	**1 800 361-3795** (toll-free)

By mail

Individuals and individuals in business

Montréal, Laval, Laurentides, Lanaudière and Montérégie

Direction principale des services
à la clientèle des particuliers
Revenu Québec
C. P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

Québec City and other regions

Direction principale des services
à la clientèle des particuliers
Revenu Québec
3800, rue de Marly
Québec (Québec) G1X 4A5

Businesses, employers and agents for consumption taxes

Montréal, Laval, Laurentides, Lanaudière, Montérégie, Estrie and Outaouais

Direction principale des relations
avec la clientèle des entreprises
Revenu Québec
C. P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

Québec City and other regions

Direction principale des relations
avec la clientèle des entreprises
Revenu Québec
3800, rue de Marly
Québec (Québec) G1X 4A5

2012-05

Cette publication est également disponible en français et s'intitule *La TVQ et la TPS/TVH pour les organismes sans but lucratif* (IN-229).

IN-229-V (2013-04)