



RTG: 191

February 2013

PUBLIC SERVICE BODIES

Introduction

The purpose of this Guide is to provide information that will help public service bodies (PSBs) prepare for the Harmonized Sales Tax (HST) in Prince Edward Island that comes into effect on April 1, 2013. PSBs are charities, municipalities, universities, public colleges, school authorities, hospital authorities and non-profit organizations. The HST will have a combined tax rate of 14 per cent — combining the existing five per cent federal Goods and Services Tax (GST) and a nine per cent PEI component. The HST will be administered by the Canada Revenue Agency (CRA).

Registration

A PSB that makes taxable supplies of property and services in Canada and that is not a small supplier is required to register for GST/HST purposes. As under the GST, PSBs will not be required to register for HST if they qualify as "small suppliers", but may choose to register voluntarily. PSBs that are already registered for the GST will not be required to re-register for the HST. For more information on who qualifies as a small supplier see [Guide RC4022, General Information for GST/HST Registrants](#) available on the CRA website.

Charging HST

Generally, the HST applies to the same base of property and services as the GST, except for goods that qualify for Prince Edward Island's point-of-sale rebates. PSBs that are GST/HST registrants may be eligible to claim input tax credits (ITCs) for the GST/HST paid or payable on inputs used or consumed in making taxable supplies.

Self-assessment

PSBs will generally be required to self-assess the Prince Edward Island component of the HST on consideration paid or payable after November 8, 2012 and before February 1, 2013 for property or services to be provided after March 2013 if:

- ownership and possession of the property is transferred after March 31, 2013, or all or part of the services are performed after March 31, 2013; and
- the property or services are acquired to make exempt supplies or a combination of taxable/exempt supplies;

PSBs that use simplified methods for calculating their net tax under the *Excise Tax Act* (such as the net tax calculation for charities or the special quick method of accounting for public service bodies) will also be required to self-assess the tax.

PSBs will be required to remit the Prince Edward Island component of the HST by the due date of their GST/HST return for the reporting period that includes April 1, 2013. In all cases, this must be done before August 2013.

For more information on simplified accounting methods, see [Guide RC4247, The Special Quick Method of Accounting for Public Service Bodies](#), and Guide RC4082, GST/HST Information for Charities, available on the CRA website, or our Revenue Tax Guide RTG: 195 Streamlined Accounting Methods.

Rebates

PSBs will be eligible to claim rebates of the GST and the federal component of the HST paid or payable on eligible purchases and expenses. Charities, public institutions and qualifying non-profit organizations resident in Prince Edward Island will also be able to claim a rebate of the provincial part of the HST paid or payable on eligible purchases and expenses used in non-selected public service body activities [3]. The rebate rates are:

PSB Type	PEI (provincial part of the HST)	GST and Federal Part of the HST
Municipalities	0 %	100%
Universities and Public Colleges established and operated on a non-profit basis	0 %	67%
School Authorities established and operated on a non-profit basis	0 %	68%
Hospital Authorities (for activities of operating a public hospital)	0 %	83%
Hospital Authorities (for eligible activities other than the operation of public hospitals)	0 %	83%
Facility Operators and external suppliers (for eligible activities) [1]	0%	83%
Charities and Qualifying Non-Profit Organizations [2]	35%	50%

Example: XYZ qualifying non-profit organization is a GST/HST registrant resident only in Prince Edward Island. XYZ paid \$10,000 HST in Prince Edward Island in its claim period, of which \$4,000 relates to its commercial activity. The remaining \$6,000 relates to eligible purchases and expenses used in XYZ's non-selected public service body activities. XYZ may claim the following:

ITCs	\$4,000.00
PSB rebate for the federal component of the HST ($\$6000 \times 5/14 \times 50\%$)	\$1,071.43
PSB rebate for the PEI component of the HST ($\$6000 \times 9/14 \times 35\%$)	\$1,350.00
Total ITC and rebates	\$6,421.43

For more information on PSB rebates, see Guide RC4034, GST/HST Public Service Bodies' Rebate, available on the CRA website.

Special Net Tax Calculation for Charities

The GST/HST framework provides a separate special net tax calculation for charities that are GST/HST registrants. Charities are generally required to use this method, but they may elect not to use it if they make supplies outside Canada or zero-rated supplies in the ordinary course of their business, or if 90 per cent or more of their supplies are taxable.

Prince Edward Island is adopting the special net tax calculation method that must be used by most charities.

Under the charity-specific net tax calculation, charities are not required to track the GST/HST paid or payable on inputs to most taxable supplies. In general, charities remit 60 per cent of the tax collected on their taxable supplies and keep the remaining 40 per cent in lieu of claiming ITCs (there are certain exceptions for real property and capital property, where ITCs may be claimed). A charity may be eligible to claim a PSB rebate of 50 per cent of the GST and the federal component of the HST and 35 per cent for the provincial component of the HST on most purchases where the charity is not entitled to claim ITCs. For more information on the net tax calculation method for charities, see [Guide RC4082, GST/HST Information for Charities](#), available on the CRA website.

For More Information

The Harmonized Sales Tax (HST) is administered by the Canada Revenue Agency (CRA). If you have specific questions on how the HST applies to your business or whether a good or service is taxable, visit the CRA website at www.cra.gc.ca/gsthst or call **1-800-959-5525** for more information.

Copies of this guide and the *Revenue Tax Act* and Regulations are available on our website. For information regarding the winding down of the revenue tax (PST), please contact:

Taxation and Property Records Division
P.O. Box 1330
Charlottetown, PE
C1A 7N1
Telephone: (902) 368-4171
Fax: (902) 368-6164
Website: www.taxandland.pe.ca

This guide is prepared for information purposes only, and should not be considered a substitute for the applicable statutes. Should there be any conflict between the contents of this guide and the statutes, the statutes shall prevail.

Footnotes:

[1] External suppliers and facility operators in Prince Edward Island are entitled to the same rebate of the federal component of the HST as hospital authorities to the extent they carry on certain government funded activities similar to those traditionally provided in hospitals. For more information on these organizations and their entitlement to the PSB rebate, you may contact the CRA at 1-800-959-8287.

[2] Generally, a non-profit organization or prescribed government organization is a qualifying non-profit organization for a fiscal year if its percentage of government funding for the fiscal year, or for the previous two fiscal years, is at least 40% of its total revenue. For more information, see Guide RC4081, GST/HST Information for Non-Profit Organizations, available on the CRA website.

[3] “non-selected public service body activities” are activities other than:

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