



Canada Revenue  
Agency

Agence du revenu  
du Canada

# GST/HST Information for Municipalities

## Is this guide for you?

This guide explains how the goods and services tax/harmonized sales tax (GST/HST) applies to municipalities. It contains an overview of the GST/HST, as well as more detailed information about GST/HST issues that are specific to municipalities.

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

### **GST/HST and Quebec**

In Quebec, Revenu Québec administers the 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 IN-203-V, *General Information Concerning the QST and the GST/HST*, available on their Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

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](http://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 municipalités*.

## What's new?

### Rate changes

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

### Filing thresholds

For fiscal years beginning after 2007, you can choose to file your GST/HST returns annually if your annual revenue threshold amount was \$1,500,000 or less in the previous fiscal year. For a fiscal year that began in 2007, you still need to use the previous threshold amount of \$500,000 to determine your eligibility to file your GST/HST returns annually.

### Instalment thresholds

For fiscal years beginning after 2007, you will not be required to make instalment payments throughout a fiscal year if your net tax in the previous fiscal year was under \$3,000. For a fiscal year that began in 2007, you still need to use the previous threshold amount of \$1,500 to determine if you are required to make instalment payments throughout that fiscal year.

### GST/HST NETFILE and TELEFILE changes

You may now be eligible to file your GST/HST return using GST/HST NETFILE or TELEFILE if your return has a balance owing. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

### Enhancements to My Business Account

The My Business Account service continues to expand. For more information, see page 25, or visit our Web site at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

### Taxpayer relief provisions

We have changed the name of the fairness provisions to the taxpayer relief provisions. As in the past, the taxpayer relief provisions will continue to be an important part of the commitment of the Canada Revenue Agency (CRA) to fairly administer the tax system. For more information, visit our Web site at [www.cra.gc.ca/fairness](http://www.cra.gc.ca/fairness).

### Intangible personal property (IPP)

The rules that zero-rate supplies of intangible personal property made to non-residents who are not registered for the GST/HST have been broadened. For more information, see GST/HST Info Sheet GI-034, *Exports of Intangible Personal Property*.

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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 (FMV) of the property as well as the value of the consideration for the last acquisition and for any subsequent improvements.

**Capital personal property** – includes depreciable property that is eligible or would be eligible for capital cost allowance for income tax purposes. It also includes any personal property, except depreciable property, the sale of which would result in a capital gain or loss for income tax purposes. For GST/HST purposes, capital personal property does not include property in Classes 12, 14, or 44 of Schedule II to the *Income Tax Regulations*.

**Commercial activity** – means any business or adventure or concern in the nature of trade carried on by a person, 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.

Commercial activity also includes a supply of real property, other than an exempt supply, made by any person, whether or not there is reasonable expectation of profit, and anything done in the course of making the supply or in connection with the making of the supply.

**Designated municipal property** – refers to property of a person who is, at any time, designated to be a municipality for purposes of claiming a municipal rebate. Generally, it is property (or an improvement to it) that the designated municipality intended to consume, use, or supply more than 10% in activities specified in its designation and an amount in respect of the property (or improvement to it) has been included in the calculation of non-creditable tax charged. Once property qualifies as designated municipal property, it is treated as such for as long as it is held by the designated municipality.

**Designated municipality** – refers to a person that supplies certain municipal services and is designated by the Minister of National Revenue to be a municipality for purposes of claiming a municipal rebate for those services.

**Election** – is a way for businesses and organizations to choose various options that may make it easier to comply with the GST/HST. These options allow you to adapt the administrative requirements of GST/HST to your business activities. Each election has its own eligibility criteria.

**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 paid or owe

on expenses related to making these supplies. However, as a municipality, you may be eligible to claim a municipal rebate to recover some or all of the tax you paid or owe on such expenses.

**Government** – refers to the federal, provincial or territorial government.

**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.

**Municipality** – means an incorporated city, town, village, metropolitan authority, township, district, county or rural municipality, or other incorporated municipal body however designated. It also includes such other local authority as the Minister of National Revenue may determine to be a municipality.

**Municipal rebate** – is a public service bodies' rebate available for municipalities at a rate of 100% of the GST and the federal part of the HST. Municipalities in New Brunswick and Nova Scotia are also entitled to a municipal rebate at a rate of 57.14% for the provincial portion of the HST.

**Non-creditable tax charged** – generally means the GST/HST you paid or owe on purchases and expenses for which you cannot claim ITCs, a rebate, a refund or remission under another provision of the *Excise Tax Act* or under any other Act of Parliament.

**Participating provinces** – means the provinces of Nova Scotia, New Brunswick, and Newfoundland and Labrador.

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

**Public institution** – means a registered charity for income tax purposes that is also a school authority, public college, university, hospital authority, or local authority determined to be a municipality.

**Public sector body** – means a government or a public service body.

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

**Registrant** – means a person that is registered or has to be registered for GST/HST.

**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** – are 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 ITCs for the GST/HST they

paid or owe on purchases and expenses made to provide them.

## GST/HST and municipalities

In this guide, we outline the rules and administrative treatments that apply to municipalities to help you comply with the GST/HST legislation. We have included information on how to register for GST/HST and claim ITCs and rebates, as well as information on goods and services that are exempt from GST/HST when made by municipalities.

If you are a GST/HST registrant, see Guide RC4022, *General Information for GST/HST Registrants*. It has general information on charging, collecting, and remitting GST/HST. If you are not registered and would like more information to decide whether you should register for GST/HST, see "Should you register?" on page 11.

## What is GST/HST?

Goods and services tax (GST) is a tax that applies to most supplies of goods and services made in Canada.

The participating provinces (defined on the previous page) harmonized their provincial sales tax with the GST to create the harmonized sales tax (HST) which applies to the same base of goods and services as the GST.

The GST/HST rates are as follows:

### On or after January 1, 2008

GST 5%  
HST 13% (5% federal part and 8% provincial part)

### On or after July 1, 2006, but before January 1, 2008

GST 6%  
HST 14% (6% federal part and 8% provincial part)

### Before July 1, 2006

GST 7%  
HST 15% (7% federal part and 8% provincial part).

## 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, in certain circumstances, Status Indians, Indian bands and many provincial and territorial governments, including their departments and agencies do not pay GST/HST on their purchases.

## Who charges GST/HST?

Generally, GST/HST registrants have to collect GST/HST on all taxable (other than zero-rated) supplies of goods and services they provide to their customers. However, there are

some exceptions for taxable sales of real property. For more information, see "Supplies of real property" on page 21.

## How does GST/HST work?

If you are a GST/HST registrant, you have to charge and collect GST/HST on taxable supplies you make in Canada and file regular GST/HST returns to report that tax.

You can claim an ITC on your GST/HST return to recover the GST/HST you paid 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. For more information, see "Input tax credits (ITCs)" on page 16.

In addition, you may be eligible for a rebate of the GST/HST you paid or owe on purchases and expenses for which you cannot claim ITCs. For more information, see "GST/HST public service bodies' rebates" on page 17.

When you complete your GST/HST return, deduct your ITCs (the GST/HST you paid or owe) from the GST/HST you charged your customers. The result is your net tax. If you also qualify for a rebate, you can deduct your rebate from your net tax. Complete the appropriate rebate application and send it with your GST/HST return.

If the GST/HST you charged on your taxable supplies is more than the amount of the ITCs and rebates you are claiming, send us the difference. If the amount of the ITCs and rebates you are claiming is more than the GST/HST you charged on your taxable supplies, you can claim a refund for the difference.

You have to file your GST/HST returns at regular intervals. When you register, we give you reporting periods to follow. Reporting periods are based on your total annual revenue from taxable supplies made in Canada, including those of your associates. For example, if your annual revenue from taxable supplies is \$1,500,000 or less, we will automatically give you an annual reporting period. This means that you file only one GST/HST return per year.

You may qualify to change your assigned reporting period. For example, if you have an annual reporting period but want to file more frequently, you may be able to elect to file your GST/HST returns on a monthly or quarterly basis. To find out if you are eligible to change your reporting period, call 1-800-959-5525. We will send you Form GST20, *Election for GST/HST Reporting Period*, or, in most cases, we can change your reporting period over the telephone.

### Note

If you are an annual filer and your net tax for a year is \$3,000 or more, you may have to make quarterly instalment payments even if your rebate reduces your amount owing to less than \$3,000.

If you are not a GST/HST registrant, you do not charge GST/HST on most of your supplies of goods and services and you do not claim ITCs for the GST/HST you paid or owe on your purchases and expenses. However, you may be able to claim a rebate of the GST/HST you paid on some or all of your purchases and expenses.

## Notes

Most supplies of personal property, real property and capital personal property made by a municipality are taxable and GST/HST has to be collected if the municipality is a registrant.

Supplies of designated municipal property (personal, real or capital personal property) by a registrant designated municipality will be taxable unless an exempting provision applies.

A non-registrant municipality that is a small supplier is liable to collect the tax on a taxable **sale** of capital personal property. For more information, see “Supplies of capital personal property” on page 21.

A designated municipality that is a non-registrant small supplier is liable to collect tax on a taxable sale of designated municipal property that is capital property of the person.

## Who qualifies as a municipality?

**F**or GST/HST purposes, a municipality means an incorporated city, town, village, metropolitan authority, township, district, county or rural municipality, or other incorporated municipal body, however designated. Examples of other incorporated municipal bodies include incorporated communities in Newfoundland and Labrador, incorporated northern hamlets, and incorporated northern settlements in Saskatchewan.

We may grant either total or partial municipal status to a local authority or other person if:

- we **determine** a local authority to be a municipality. This means that all the GST/HST legislative provisions that relate to municipalities will apply to the local authority as a whole; or
- we **designate** a person to be a municipality for certain municipal services that it provides. The designation only applies to those municipal activities for which the person has been designated. This restriction recognizes that the designated activities represent the only capacity in which the person is like a municipality.

You have to send us a written request for municipal determination or designation for GST/HST purposes. Mail your request, with supporting documents, to:

Director  
Public Service Bodies and Governments Division  
Excise and GST/HST Rulings Directorate  
15th floor, Tower A, Place de Ville  
320 Queen Street  
Ottawa ON K1A 0L5

If you are in the province of Quebec, you should send your request for municipal determination or designation to Revenu Québec at:

Directeur des Taxes à la consommation  
Direction générale de la législation  
3800, rue de Marly, secteur 5-2-2  
Sainte-Foy QC G1X 4A5

## Organizations that we may determine to be municipalities

Local authorities in the following groups may apply to be a determined municipality for GST/HST purposes:

- para-municipal organizations;
- special-purpose provincially or territorially established authorities;
- unincorporated municipal government units;
- volunteer fire organizations; and
- Indian bands, tribal councils, or band-owned corporations.

## Para-municipal organizations

Municipalities often create autonomous boards, commissions, and other local authorities to carry out certain municipal activities. To qualify for determination as a municipality, such a local authority has to meet the following conditions:

- it is established by one or more municipalities, or by a province at the request of one or more municipalities; and
- it is owned or controlled by one or more municipalities.

We will consider a local authority to be **owned** by one or more municipalities if:

- one or more municipalities own 90% or more of the local authority's shares or capital; or
- one or more municipalities hold title to the local authority's assets or control their disposition so that in the event of a winding-up or liquidation, these assets are vested in the municipality or municipalities.

We will consider the local authority to be **controlled** by one or more municipalities if:

- the municipality or municipalities must approve the local authority's operating budget and, where it applies, capital budget; and
- the municipality or municipalities appoint the majority of the members of the local authority's governing body, such as the directors, governors, or commissioners.

Local authorities that meet the above conditions are considered to be para-municipal organizations for GST/HST purposes.

Examples of local authorities that may fall into this category include:

- community centre boards;
- health boards;
- local improvement boards;
- planning commissions;
- police service boards;
- public libraries; and
- tourism boards.

When requesting municipal determination, the local authority should provide the provincial legislation and other documentation showing that a province or a municipality created the local authority. This could include the resolution of the city council or other managing body of the municipality, indicating its intentions.

The local authority should provide documentation showing that either the control or the ownership requirements have been met. Documentation may include copies of municipal by-laws, incorporating documents, subordinate legislation empowering the organization, or financial statements.

### **Special-purpose provincially or territorially established authorities**

These are local authorities created by a province or a territory that act like municipalities by providing specific municipal services.

A provincially or territorially established body may be determined to be a municipality if it meets all of the following conditions:

- a province or territory gives it power to perform one or more municipal functions within a specified geographic area. These functions may include, but are not limited to:
  - conservation;
  - erosion control;
  - fire or police protection;
  - irrigation or water improvement;
  - library services;
  - local planning, improvement, or development;
  - parks management;
  - pollution control; and
  - water or sewerage distribution;
- the local authority must be a body, entity, or organization, and not an individual; and
- the local authority must have local jurisdiction, rather than provincial or national jurisdiction (it performs functions within a localized area, rather than within the province or country).

When requesting municipal determination, the local authority should provide a copy of relevant provincial legislation or regulations that control its activities, and copies of other supporting documentation including local by-laws, resolutions, or written notification from the provincial authority responsible for municipal affairs.

### **Unincorporated municipal government units**

These include towns, villages, and hamlets that are similar to municipalities, but are unincorporated. We will determine these organizations to be municipalities if they are empowered under provincial or territorial legislation to exercise general powers of local self-government.

When requesting municipal determination, the local authority should provide a copy of the relevant provincial

legislation or regulations controlling their activities, as well as copies of supporting documents, including local by-laws, resolutions, or written notification from the provincial authority responsible for municipal affairs.

### **Volunteer fire organizations**

Volunteer fire organizations, such as volunteer fire co-ops, are created by groups of individuals to provide fire protection services in a municipality or any other localized geographic area within a province or territory. We may determine these organizations to be municipalities if they provide evidence that they are providing fire protection services in a particular geographic area. This evidence may include provincial legislation, municipal by-laws, incorporating documents, an agreement or contract between the organization and a municipality or government for the provision of fire protection services, or any other satisfactory documentary evidence.

### **Indian bands, tribal councils, or band-owned corporations**

We may determine certain Indian bands, tribal councils and band-owned corporations to be municipalities for GST/HST purposes. For more information, see the next page.

## **Organizations that we may designate to be municipalities**

### **Residential Services**

We may designate a person to be a municipality with respect to standard exempt municipal services supplied on behalf of a municipality to owners or occupants of real property in a particular geographic area.

You have to include the following documentation with your request for municipal designation:

- a copy of the person's incorporating documents;
- a description of the services provided and a description of the municipality and surrounding areas in which the services are provided; and
- a copy of the by-law authorizing the municipality to enter into an agreement with the person and a copy of the agreement between the municipality and the person.

### **Unbottled water**

Supplies of unbottled water are considered to be standard municipal services. A person, such as a water hauler, water co-operative, or a private utility that supplies unbottled water may request municipal designation for purposes of claiming a municipal rebate.

You have to include the following documentation with your request for municipal designation:

- a copy of the incorporating documents or a copy of the creating documents recognizing the person as a supplier of unbottled water;
- a description of the services provided and a description of the municipality and surrounding areas in which the services are provided;



- a copy of a paid customer invoice showing the supply of unbottled water; and
- a copy of a purchase invoice for the unbottled water, a copy of a permit or other document allowing the person to take water from a government source, or any other document such as a letter from a municipality where the water is taken free of charge.

## Rent-geared-to-income housing

The supply of long-term residential accommodation to tenants on a rent-geared-to-income (RGI) basis by a non-profit organization or charity that receives government funding to assist it in providing this accommodation, qualifies as a municipal service for designation purposes.

The government funding must be to subsidize the cost of those housing units that are supplied on a RGI basis. The government funding in these situations, includes funding provided by a municipality. The activities described above must be undertaken within a program to provide housing to low-to-moderate-income households. For purposes of municipal designation, a supply that includes accommodation as one element but also includes other elements such as meals, personal care services, laundry, or housecleaning will not be considered an eligible supply of long-term accommodation.

You have to include the following documentation with your request for municipal designation:

- a copy of the incorporating documents of the charity or non-profit organization;
- a copy of a dated and signed agreement that describes that you are providing RGI housing for which your charity or non-profit organization receives funding from a government;
- documentation providing the number of RGI units for which your charity or non-profit organization receives funding from a government relative to the total number of units in the project for the current year; and
- documentation that shows that the selection of eligible households is within a program that is geared to low-to-moderate-income households. Documentation may include written policies, guidelines, and operating manuals that apply to the eligibility process for RGI housing.

## Municipal transit services

Municipal transit services supplied to members of the public by a transit authority are exempt. A transit authority includes a division, department, or agency of a government, municipality, or school authority, as well as certain non-profit organizations. Transit authorities that are not municipalities will have to apply for municipal designation in order to be eligible for a municipal rebate relating to their supplies of municipal transit services to members of the public.

In addition, a public passenger transportation service provided by a non-profit organization or a charity may be designated to be a municipal transit service. These suppliers

will also have to apply for municipal designation in order to be eligible for the municipal rebate.

You have to include the following documentation with your request for municipal designation:

- a copy of the supplier's incorporating documents;
- a description of the public passenger transportation services provided and a description of the municipality and surrounding area in which the services are provided; and
- if it applies, a copy of a by-law authorizing the municipality to enter into an agreement with the supplier and a copy of the agreement between the municipality and the supplier for the purpose of providing the services.

### Note

A service of operating a public municipal transit service supplied to a municipality does **not** qualify for designation.

## Water distribution, sewerage, or drainage systems

An organization that operates a water distribution, sewerage, or drainage system may apply for municipal designation to exempt the services of installing, repairing, or maintaining the system that it operates. We may designate organizations that operate a public system, where a municipality has transferred the functions, responsibilities, assets, risks, and liabilities associated with the operation of the system to the organization, or where a government recognizes the organization as a public utility.

You have to include the following documentation with your request for municipal designation:

- a copy of the organization's incorporating documents;
- a description of the water distribution, sewerage or drainage system operated by the organization, along with a description of the municipality and surrounding areas in which the services are provided;
- a copy of the organization's operating licence, permit, registration, or other authorization to operate the system and to provide water, sewerage, or drainage services through that system; and
- a copy of a by-law authorizing the municipality to enter into an agreement with the organization and a copy of the agreement between the municipality and the organization, or a copy of the certificate, registration, utility tariff or other such document issued to the organization by the government recognizing the organization as a public utility.

## Indian bands, tribal councils, or band-owned corporations

An Indian band, tribal council, or band-owned corporation may qualify for determination as a municipality if it provides exempt municipal services such as fire and police protection, water distribution, sewerage, or drainage systems, or library services.

An Indian band, tribal council, or band-owned corporation may qualify for designation as a municipality if it provides certain exempt municipal services such as water distribution or sewerage services to consumers.

You have to include the following documentation with your request for municipal determination or designation:

- documentation that shows your organization is recognized by Indian and Northern Affairs Canada;
- documentation that shows your organization is providing municipal services to residents of the land for which it has local jurisdiction or responsibility; and
- a copy of the comprehensive or alternative funding agreement.

## How to cancel your municipal determination or designation

You can cancel your municipal determination or designation by sending a written request to us at the following address:

Director  
Public Service Bodies and Governments Division  
Excise and GST/HST Rulings Directorate  
15th floor, Tower A, Place de Ville  
320 Queen Street  
Ottawa ON K1A 0L5

If you are in the province of Quebec, you should send your request to Revenu Québec at:

Directeur des Taxes à la consommation  
Direction générale de la législation  
3800, rue de Marly, secteur 5-2-2  
Sainte-Foy QC G1X 4A5

## Changes to determined or designated municipalities

Once an organization or other person has been determined or designated to be a municipality, it is responsible for advising us of any changes that may affect its status as a municipality. This would include a structure change due to an amalgamation or merger with another organization, or any changes in the manner in which it is operated.

When an organization or other person no longer qualifies for determination or designation as a municipality, it will no longer be entitled to a municipal rebate regardless of whether its determination or designation as a municipality has been revoked.

## Taxable and exempt goods and services

The following are examples of supplies of goods and services made by a municipality that may be taxable at 5%, 13%, or 0%, or exempt.

## Goods and services taxable at 5% or 13%

Examples of supplies of goods and services taxable at 5% or 13% include:

- most supplies of real property (see “Supplies of real property” on page 21), including:
  - banquet facility rentals;
  - public parking rentals (such as municipal parking lots and parking meters) provided in the course of a business;
  - licences to use real property; and
  - municipal golf course fees.
- most supplies of personal property and capital personal property by a municipality (see “Supplies of capital personal property” on page 21);
- telecommunication services, hydro-electricity, and natural gas;
- certain municipal services provided on an optional fee-for-service basis, such as driveway paving;
- licences to a consumer or non-registrant to remove forestry products or fishery products;
- services for testing or certifying that property meets a particular standard;
- supplies by a designated municipality of designated municipal property that is either personal property or capital personal property of the person;
- most supplies of property or a service made by a public institution that is a municipality; and
- most supplies of designated municipal property by a public institution or a charity that is a designated municipality.

## Zero-rated goods and services

Examples of supplies of goods and services taxable at 0% include:

- medical devices, such as wheelchairs, eyeglasses, canes, and artificial teeth;
- basic groceries, such as fruit, vegetables, meat, and flour;
- most agricultural and fishery products; and
- goods and services exported from Canada.

## Exempt supplies of goods and services

Examples of supplies of goods and services exempt of tax when made by a municipality include:

- fire protection;
- law enforcement;
- garbage collection, including the collection and delivery of recyclable materials;

- certain licences and permits; and
- municipal transit.

For more information, see “Exemptions for municipalities” on the next page.

## Should you register?

You have to register for GST/HST if:

- you provide taxable supplies in Canada; and
- you are not a small supplier (see “Small supplier” below).

You do not have to register if:

- your only commercial activity is the sale of real property, other than in the course of a business; or
- you are not a 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*.

### Small supplier

As a public service body, you are a small supplier and do not have to register if your worldwide revenues from taxable supplies of goods and services are \$50,000 or less over the last four consecutive calendar quarters **and** in any single calendar quarter.

If you are a small supplier, you do not have to register for GST/HST but may do so voluntarily.

If during one calendar quarter your total worldwide revenues from taxable supplies, including those of your associates, are more than \$50,000, you will immediately stop being a small supplier. You will have to start collecting GST/HST on your taxable supplies made in Canada from the date of, and including, the supply that put you over the \$50,000 threshold, even if you are not yet registered.

If you do not exceed the threshold amount of \$50,000 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. You will have to start collecting GST/HST on your taxable supplies made in Canada following that month.

#### Note

Charities that have been determined or designated to be municipalities can calculate their small supplier threshold with either the \$250,000 gross revenue test or the \$50,000 annual taxable supplies test. For more information, see Guide RC4082, *GST/HST Information for Charities*.

If you are a non-registrant small supplier, you do not charge GST/HST when you supply taxable goods or services (other than taxable **sales** of real property and capital personal property, and taxable sales by a designated municipality of designated municipal property that is capital property of the person). You cannot claim ITCs to recover the GST/HST you paid or owe on your purchases and expenses. However, as a municipality, you may be

eligible for a rebate of the GST/HST. Although you do not have to register for GST/HST if you are a small supplier, you may be eligible to do so voluntarily.

If you are a GST/HST registrant, you generally have to collect GST/HST on your taxable supplies of goods and services, (other than zero-rated supplies and certain taxable sales of real property), **and** you can claim ITCs for the GST/HST you paid or owe on your purchases and expenses incurred to provide them.

### Bodies created by a municipality

Municipal boards, commissions, and departments that are legally part of a municipality cannot register separately for the GST/HST. However, public service bodies that are boards, commissions, and bodies created by a municipality and whose legal status is separate from the municipality have to register separately if their worldwide taxable supplies of goods and services (including those of their associates) are more than \$50,000 over four consecutive calendar quarters or in any single calendar quarter.

### Incorporated municipalities

If you are incorporated, you register for GST/HST as a single entity. Your individual branches or divisions cannot register separately. We consider the total worldwide revenues from taxable supplies made by your corporation (including branches and divisions, as well as those of your associates) to determine whether or not you have to register.

However, if your municipality has branches or divisions, you can apply for each branch or division with \$50,000 or less in revenues from taxable supplies in its last four calendar quarters and in any single calendar quarter to be designated as a small supplier division.

A small supplier division does not have to collect the GST/HST on its taxable supplies (other than on taxable **sales** of capital personal property and real property) and cannot claim ITCs for the GST/HST paid or owed on its purchases and expenses. Generally, the GST/HST you paid or owe on purchases and expenses as a small supplier division would be included in the amounts you claim when calculating your rebate. Once a branch no longer qualifies as a small supplier division, it must collect GST/HST on all of its taxable supplies (other than zero-rated) and can claim ITCs.

A branch or division qualifies as a small supplier division if:

- you can separately identify the branch or division by either its location or the nature of its activities;
- separate records, accounting books, and systems are kept for that branch or division;
- the branch or division made \$50,000 or less in revenues from taxable supplies in its last four calendar quarters and in any single calendar quarter; and
- you have not revoked the designation of a branch or division as a small supplier division within the previous 365-day period.

If you would like to apply to have your branches or divisions designated as small supplier divisions, send us a completed Form GST31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*.

## Unincorporated municipalities

If your municipality has several branches or divisions, we may consider the branches or divisions to be separate entities for GST/HST purposes. Depending on the amount of their taxable supplies, individual branches or divisions may have to register separately.

We consider a branch or division within an unincorporated municipality to be a separate entity if it has a significant degree of control over its own affairs. To determine if a branch or division is a separate entity and should register separately for GST/HST, consider the following criteria.

**Legal status** – Does the particular branch or division have a constitution and by-laws different from those of the municipality? Does the branch's constitution define the activities the branch will carry out? Can it sue and be sued, hold property, or contract in its own name? Is it liable for its own debts? Does it raise its own revenues or does the municipality fund it?

**Management structure** – Do the municipality and its branches have different managers? Can the branch make financial and operational decisions without the approval of the municipality? Does it have separate accounting systems and a different fiscal year-end from the municipality?

### Note

If a branch of an unincorporated municipality registers as a separate entity, GST/HST applies to taxable supplies transferred between that branch and the municipality.

## Exemptions for municipalities

Municipalities make several supplies of goods and services that are exempt from the GST/HST. Some exemptions are common to all public service and public sector bodies (defined on page 5). Some of the more common exemptions applicable to municipalities are described below.

### Library services

The supply of a right to borrowing privileges (library cards) and fines related to borrowing activities at a public library are not subject to the GST/HST.

## Registration and licences

### Property registration

GST/HST does not apply to certain supplies relating to property registration where those supplies are provided by a municipality or a board, commission, or other body established by a municipality. Such supplies may include:

- registering, or processing an application to register, any property in a property registration system;

- filing, or processing an application to file, any document in a property registration system;
- providing access to, or the use of, a property registration system to register or to apply to register any property in it; or
- providing access to, or the use of, a property registration system to file, or to apply to file, any document in it.

### Court registration

GST/HST does not apply to supplies relating to the registration system of a court where those supplies are provided by a municipality, or a board, commission, or other body established by a municipality.

They include:

- filing, or processing an application to file, a document in the registration system of a court or in accordance with legislative requirements;
- providing access to, or the use of, the registration system of a court, or any other registration system in which documents are filed as required by law, for the purpose of filing a document in that registration system;
- issuing, providing, or processing an application to issue or provide, a document from the registration system of a court or other similar tribunal; or
- providing access to, or the use of, the registration system of a court or other similar tribunal to issue or obtain a document from that registration system.

### Licences

GST/HST does not apply to certain supplies of licences, permits, quotas, or similar rights (such as the supply of a service of processing an application for such a right and the right to use a filing or registration system to make an application for such a right) when those supplies are made by a municipality or by a board, commission, or other body established by a municipality.

### Note

A right or a service supplied in respect of the importation of alcoholic beverages is subject to GST/HST. In addition, services supplied in respect of an exempt licence, permit, quota or similar right, such as inspection services are also subject to GST/HST.

### Other exempt supplies

GST/HST does not apply to a supply of any document, or service of providing information, or a right to have access to, or to use, a filing or registration system to obtain any document or information provided by a municipality, or by a board, commission, or other body established by a municipality, if:

- the document or information indicates the vital statistics, residency, citizenship, the right to vote, or the registration for any government service, or any other status of any person; or
- the document or information is in respect of the title to, any right or estate in, property or any encumbrance or

any assessment in respect of property or the zoning of real property.

The supply is of a service of providing information under the *Privacy Act*, the *Access to Information Act*, or any similar provincial legislation is also exempt when provided by a municipality, or by a board, commission, or other body established by a municipality.

## Law enforcement and fire protection services

The supply of a law enforcement service or a fire protection service made to a government or a municipality, or to a board, commission, or other body established by a government or municipality, is not subject to GST/HST when provided by a municipality or by a board, commission, or other body established by a municipality. For example, fire protection services are exempt when supplied by a municipality to its neighbouring municipalities.

## Residential services

GST/HST does not apply to municipal services, such as sewerage services, that a municipality provides on a non-optional basis to owners or occupants of real property in the municipality.

This exemption applies only when the person paying for the service is the property owner or occupant. As a result, property owners or occupants will not pay tax on standard municipal services.

Non-optional municipal services that a third party provides on behalf of a municipality are taxable if the third party bills the municipality for the services supplied, but exempt if the third party bills the property owner or occupant.

### Example

A municipality hires a private business to provide snow removal services for the municipality. This service is taxable because it is being provided to the municipality rather than directly to property owners.

Services that a municipality provides to owners or occupants of real property are exempt if they are supplied because of the owner or occupant's failure to comply with a legal obligation.

### Example

A municipal by-law requires homeowners to cut the grass on municipal easements abutting their property. If a homeowner fails to comply, the municipality will cut the grass and charge the homeowner for the service. The service is exempt.

## Garbage collection, including the collection and delivery of recyclable materials

Garbage collection services, including collection of recyclable materials and special collections, are not subject to GST/HST when provided by a municipality or a board, commission, or other body established by a municipality.

The collection of recyclable material includes such services as the blue box program, where recyclable material is picked up from residences, or the service of collecting recyclable material from a central recycling depot.

### Example

A municipality gives 52 tags to the homeowner, to be attached to one bag or container of garbage per week. The municipality collects only those bags or containers where tags have been attached. Homeowners may purchase additional tags for \$1.50 each if they have more than one bag or container of garbage to be collected. The garbage collection, and the supply of the additional tags, is exempt.

### Note

Although the collection and delivery of recyclable material to a recycling centre is an exempt supply when made by a municipality, the processing and marketing of the recyclable material for later sale is a commercial activity. Consequently, the sale of recyclable material is taxable.

## Municipal water distribution, sewerage, or drainage systems

A supply of a service of installing, repairing, maintaining or interrupting the operation of a water distribution, sewerage, or drainage system, is not subject to GST/HST if the supply is made by a municipality or by an organization designated as a municipality for this purpose.

A separate fee charged to a property owner or occupant for a service of repairing or maintaining part of an existing sewer or water line is exempt.

### Note

A supply of a service of operating or managing another person's water distribution, sewerage or drainage system, or collecting waste water, is subject to GST/HST. Also, supplies where a user or connection fee is charged to an owner or occupant of a property connected to a water distribution system are subject to GST/HST **unless** the supplies are made on behalf of a municipality. For more information, see "Residential services" on this page.

## Unbottled water

The supply of unbottled water made by a person other than a government, or by a government designated to be a municipality for purposes of supplying the water, is not subject to GST/HST. The service of delivering an exempt supply of water is also exempt when made by the supplier of the water.

This exemption does not apply to zero-rated supplies (such as water sold to consumers in containers that are larger than a single serving) or the supply of water served in single servings to consumers through a vending machine or at the supplier's permanent establishment, which is taxable at 5% or 13%.

## Municipal transit services

Municipal transit services that are provided directly to the public by municipalities are not subject to GST/HST. Transportation services made directly to the public that have been designated as a municipal transit service are also exempt supplies.

### Note

A supply of a service made by a person to a municipality of operating a municipal transit system is subject to GST/HST.

Taxable transit services include:

- charter services provided by a municipal transit authority;
- city tour services provided by a transit authority if, in addition to the transportation services, passengers get a commentary by a tour guide; and
- any transit services supplied by a private company and charged to a municipality.

Leases and rentals of motor vehicles follow the general place-of-supply rules that apply to most goods, but with special adjustments related to lease intervals, international fuel tax agreements, and inter provincial arrangements. For more information, call 1-800-959-5525.

## Inter- and intra-municipal supplies

A regional or county municipality may provide goods and services for municipalities within the region or county. In addition, municipalities and their autonomous para-municipal organizations may make supplies between each other.

Since a municipality and a para-municipal organization (defined on page 7) are separate entities, GST/HST would usually apply to supplies made between them. However, there are special exemptions for certain supplies made between the following:

- a municipality and any of its para-municipal organizations. For example, accounting services that a municipality provides for its library board, which has been determined to be a municipality, are exempt supplies. A lease of a building by the municipality to the library board would also be an exempt supply;

- para-municipal organizations of the same municipality. For example, supplies of literature from a municipal library board to a police commission are exempt if both are para-municipal organizations of the municipality;
- a regional municipality and any of its local municipalities or any para-municipal organizations of any of those local municipalities. For example, the supply of legal services from the regional municipality to the local municipality is exempt;
- a para-municipal organization of a regional municipality and any local municipality of the regional municipality, or any para-municipal organization of the local municipality. For example, the supply of a regional library board's administrative services to a local municipality's library board is exempt; and
- a regional municipality or any of its para-municipal organizations and any other organization designated for the provision of municipal services within an area over which the regional municipality has jurisdiction. For example, the supply of engineering services from the regional municipality to an organization operating a water distribution system for which it has been designated, is exempt.

**GST/HST applies** to the following supplies of goods and services:

- a supply of electricity, gas, steam, or telecommunication services made by a municipality or any of its para-municipal organizations acting as a public utility;
- supplies between neighbouring municipalities, even if they are under the jurisdiction of the same regional municipality;
- supplies between para-municipal organizations of neighbouring municipalities, even if they are under the jurisdiction of the same regional municipality; and
- supplies between a para-municipal organization of one municipality and a neighbouring municipality.

## Ferry, road, and bridge tolls

Domestic ferry services that transport passengers or goods are not subject to GST/HST if the principal purpose of the ferrying is to transport motor vehicles and passengers between parts of a road or highway system separated by water. If there is a toll charge for the right to use a road or bridge, the right is also exempt and the toll is not subject to GST/HST.

## Admission to a place of amusement

The supply of an admission to a place of amusement is not subject to GST/HST 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's) 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.

## Amateur performances and events

Ticket sales for any athletic or competitive event or performance are not subject to GST/HST as long as all or substantially all (90% or more) of the athletes, competitors, or performers are not remunerated, either directly or indirectly, for their participation. We do not consider government and municipal grants, reasonable gifts, prizes, and compensation for travel or other incidental expenses to be remuneration in this situation. In addition, the performance or event cannot be advertised as featuring paid, professional participants.

This exemption does not apply to events, such as professional and amateur (pro-am) golf tournaments, where professional competitors compete for cash prizes.

## Recreational programs

Supplies of membership fees and services for recreational programs established and operated by a municipality are not subject to GST/HST 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 provided primarily to children 14 years of age or younger, and a large part of it does not involve overnight supervision. For example, this exemption would apply to supplies of summer day camp programs.
- The program is provided primarily to underprivileged individuals, or individuals with a disability. Supplies of 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

Food, beverages, or short-term accommodation provided to relieve the poverty, suffering or distress of individuals are not subject to GST/HST when provided by a public sector body (other than a charity). Therefore, GST/HST does not apply to charges for meals or accommodation at a shelter for needy individuals.

Prepared meals provided in an individual's home through programs for seniors, underprivileged individuals, or individuals with a disability who have difficulty preparing adequate meals for themselves, are exempt. As well, sales of food and beverages to a meals-on-wheels organization are exempt.

For more information on charities providing relief of poverty, suffering, or distress, see Guide RC4082, *GST/HST Information for Charities*.

## Homemaker services

Homemaker services may include cleaning and other household services, meal preparation, childcare, and personal care services when provided to an individual who requires assistance due to age, infirmity or disability.

These services, offered in the individual's place of residence, are not subject to GST/HST when supplied by a municipality. They are also exempt when a municipality or organization administering a municipal program for homemaker services pays another person to make or to acquire these services. In the latter case, both the organization's fees to the municipality and its fees to the individuals are exempt.

If the individual receives homemaker services as described above, any other homemaker services that the individual receives are also exempt.

## Charitable events by a public institution

An organization (such as a conservation authority) that we have determined to be a municipality, and that is also a registered charity under the *Income Tax Act*, meets the definition of public institution, for which there are specific exemptions.

Admissions to a ball, concert, or similar fundraising event are exempt if a public institution sells them and a part of the admission price can be treated as a charitable donation for income tax purposes.

### Example

You sell tickets to a fund-raising dinner for \$75 but \$50 of the ticket price qualifies as a charitable donation for income tax purposes. You do not charge GST/HST on any part of the admission.

Supplies of goods or services made in the course of a fundraising activity are exempt if the supplies are not made on a regular or continuous basis throughout the year or a significant part of the year, and if the agreement for the supplies does not entitle the recipients to receive goods or services throughout the year or a significant part of the year.

## Other exempt services

The following services made by a municipality or by a board, commission, or other body established by a municipality, are also exempt:

- installing, replacing, repairing, and removing street or road signs, barriers, street or traffic lights, or any similar property;
- removing snow, ice, or water;
- removing, cutting, pruning, treating, or planting vegetation;
- repairing or maintaining roads, streets, sidewalks, or similar or adjacent property; or
- installing accesses or egresses.

## Input tax credits (ITCs)

You can claim ITCs if you are registered, or are required to be registered, for GST/HST. **If you are not a GST/HST registrant, this section does not apply to you.**

You can recover the GST/HST you paid or owe on purchases you make and expenses you incur to make taxable supplies by claiming ITCs on **line 106** of your GST/HST return. You cannot claim an ITC for purchases of certain capital property (see "Capital property" on page 20).

### Note

If a registrant municipality makes a taxable sale of capital personal property or a designated municipality makes a taxable sale of designated municipal property that is capital property of the person, the municipality can claim an ITC for the part of the GST/HST that is not otherwise recoverable. For more information, call **1-800-959-5525**.

You can use the general rules to calculate your ITCs or the Simplified Method for claiming ITCs. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

General operating expenses are purchases you make for the overall operation of your municipality. These expenses include management, administration, and other support functions of your municipality, as well as office supplies such as paper, pens, utilities, and equipment and office rentals.

If you intend to use 90% or more of an operating expense in your commercial activities, you can claim a full ITC for the GST/HST you paid or owe on that expense.

If you intend to use 90% or more of an operating expense in an **exempt** activity, you cannot claim an ITC for the GST/HST you paid or owe on that expense.

For example, if you hire a painting company to paint an apartment building you use to supply long-term residential accommodation (an exempt supply), you cannot claim an ITC for the GST/HST you paid or owe to the painting company.

If you make both taxable and exempt supplies and you cannot attribute 90% or more of an operating expense to either a commercial activity or an exempt activity, you can only claim ITCs for the part of the expense you use in your commercial activities. For mixed-use expenses, you have to determine their percentage of use in your commercial activities.

The method you use to determine the percentage of use of the operating expenses in commercial activities has to be fair and reasonable, and be used consistently throughout the year.

Examples of expenses eligible for ITCs include:

- general operating expenses, such as rent and utilities, to the extent that they are used in making taxable supplies;
- new merchandise bought for resale;
- meals and entertainment expenses related to your commercial activities;

- certain allowances and reimbursements you paid to employees and volunteers engaged in your commercial activities;
- capital personal property (such as office furniture, photocopiers, computers, and vehicles) used primarily (more than 50%) in your commercial activities; and
- purchases of, and improvements to, capital real property used primarily in commercial activities.

### Example

Your municipality operates an arena that provides both taxable ice time and exempt supervised skating classes for children under the age of 14. Over the quarterly reporting period, 70% of your hydro usage relates to your exempt supplies and 30% relates to taxable supplies. You can claim 30% of the GST/HST you paid or owe on that quarter's hydro bill as an ITC. You may also be able to claim a municipal rebate for the remaining amount.

Most registrants claim their ITCs when they file their GST/HST return for the reporting period in which they made their purchases or incurred their expenses. However, if your annual revenue from taxable supplies in each of the previous two fiscal years was \$6 million or less, you have up to four years from the due date of the return for the reporting period in which the ITC could have first been claimed to claim the ITC.

### Example

You are a quarterly filer and your annual revenues are less than \$6 million. You paid or owe GST on goods for resale in the reporting period of April 1 to June 30, 2008, for which you can claim an ITC. Since the end of the reporting period is June 30, 2008, and the due date of the return for that period is July 31, 2008, you can claim the ITC on that return or in any future return filed on or before July 31, 2012.

If your annual revenue from taxable supplies was more than \$6 million in the current year that includes your reporting period, and the previous year, the time limit for claiming ITCs is generally reduced to two years.

## Simplified Method for claiming ITCs

You can use the Simplified Method if your annual revenue from worldwide taxable supplies was \$500,000 or less in your last fiscal year, and your total worldwide taxable supplies for all past fiscal quarters of the current fiscal year were \$500,000 or less. These totals include the annual taxable supplies of your associates, but do not include supplies of zero-rated financial services, goodwill, or sales of capital property and real property.

In addition, your taxable purchases made in Canada must have been \$2 million or less in your last fiscal year, and it must be reasonable to expect that your taxable purchases in the current fiscal year will not be more than \$2 million. The purchase limit does not include zero-rated purchases, but does include purchases imported into Canada or brought into a participating province.

For more information, see Guide RC4022, *General Information for GST/HST Registrants*.



## GST/HST public service bodies' rebate

Public service bodies, such as municipalities, can claim a rebate to recover the GST/HST they paid or owe. This rebate allows you, as a municipality, to recover 100% of the GST or of the federal part of the HST that you have paid or owe on your eligible purchases and expenses, **but that you cannot recover through an ITC**. You do not have to be registered for GST/HST to apply for a municipal rebate.

### Note

Municipalities in Nova Scotia and New Brunswick may be eligible to claim a 57.14% rebate of the provincial part of HST. Municipalities in Newfoundland and Labrador are not eligible for this rebate except for qualifying non-profit organizations, public institutions, and charities that are designated to be a municipality for purposes of claiming a municipal rebate. In this case, the rebate would be 50% of the provincial part of the HST related to the non-designated activities, and 0% of the provincial part of the HST related to the designated municipal activities.

If you are **not** a GST/HST registrant, you can apply for a 100% rebate of the GST and the federal part of the HST you paid on **all** of your eligible purchases and expenses (see the next section). If you are a municipality in Nova Scotia or New Brunswick, you may also claim a 57.14% rebate of the provincial part of the HST for these expenses.

If you **are** a GST/HST registrant, you can apply for a 100% rebate of the GST and of the federal part of the HST you paid on eligible purchases and expenses (see the next section) for which you **cannot** claim ITCs. If you are a municipality in Nova Scotia or New Brunswick, you may also claim a 57.14% rebate of the provincial part of the HST for these expenses.

If you buy goods or services to be used primarily (more than 50%) by another selected public service body (university, public college, school authority, or hospital authority) in that other body's activities, you have to claim a rebate at the rate that applies to the other selected public service body for the tax that you paid or owe on the goods and services.

### Example

You buy a computer primarily for use by a school authority. You qualify for a 68% rebate of the GST/HST on this computer, based on the prescribed rate for school authorities.

## Eligible purchases and expenses

You can claim a 100% municipal rebate for the GST and the federal part of the HST that you paid or owe and for which you cannot claim an ITC.

Eligible purchases and expenses include:

- general operating expenses, such as rent, utilities, and administration expenses;

- certain allowances and reimbursements you pay to employees;
- goods and services used, consumed, or supplied in making exempt supplies; and
- capital property that you intended to use primarily (more than 50%) in making **exempt** supplies when you bought the property.

The following are examples of purchases **not** eligible for a municipal rebate:

- memberships in a dining, recreational, or sporting club;
- alcoholic beverages or tobacco products you sell and for which you are not required to collect GST/HST (except where the alcohol or tobacco is included in the price of a meal); and
- goods and services you buy to provide long-term residential accommodation, where 90% or more of the accommodation is supplied to persons other than seniors, youths, students, or individuals with a disability or in distress or other individuals in need of assistance, or individuals whose eligibility for occupancy of the complex or unit, or for reduced lease payments is dependent on a means or income test.

### Note

If you provide long-term accommodation on a rent-geared-to-income basis, see "Rent-geared-to-income housing" on page 9.

## Apportionment of rebates

If you are a designated municipality and you also engage in activities as a registered charity or a qualifying non-profit organization that are separate from your municipal activities, you have to apportion your rebate. Claim the 100% municipal rebate for the GST and the federal part of the HST for your municipal activities and a 50% rebate for your other activities.

### Example

You are a registered charity operating in Ontario that supplies rent-geared-to-income housing and you have been designated a municipality for these supplies. Forty percent of your supplies of housing are restricted to seniors on a rent-geared-to-income basis and the other 60% are at market rate. You also operate a separate nursing home as a registered charity. You are entitled to a 100% municipal rebate of the GST for purchases relating to rent-geared-to-income housing, the only activity for which you have been designated to be a municipality, and you are entitled to a 50% rebate of the GST for purchases and expenses that relate to the operation of the nursing home, and to the supplies of housing at market rate.

## General operating expenses

General operating expenses are purchases you make for the overall operation of your municipality. These expenses include management, administration, and other support functions of your municipality, as well as office supplies such as paper, pens, utilities, and equipment and office rentals.

If you **are** a GST/HST registrant and you can attribute an expense directly to a specific use, the rules are as follows:

- You can claim an ITC if you incur an expense to provide taxable goods and services. For example, if you pave private owners' driveways in a new subdivision and bill the owners directly for this service, you can claim an ITC for the GST/HST you paid or owe on expenses used to provide the service.
- You can claim a rebate if you incur an expense to make exempt supplies. If you intend to use your general operating expenses all or substantially all (90% or more) to provide exempt goods and services, you can claim a rebate of 100% of the GST and the federal part of the HST you paid or owe on all of these expenses. Municipalities in Nova Scotia and New Brunswick may also claim a 57.14% rebate of the provincial part of HST for these expenses.

If you cannot directly attribute your general operating expenses to a specific use, you have to apportion the GST/HST you paid or owe on these expenses. This applies if your municipality makes both taxable and exempt supplies. You can claim an ITC on the part of the GST/HST you paid or owe on your general operating expenses used in commercial activities and a rebate on the part for which you cannot claim ITCs (for example, purchases used in exempt activities). You have to apportion the GST/HST you paid or owe on your general operating expenses between commercial and exempt activities.

### Example

You are a municipality in Manitoba and your overhead expenses for both commercial and exempt activities combined are \$1,000 per month plus \$50 GST. If 30% of your activities involve providing taxable goods and services and 70% involve providing exempt goods and services, you claim on your GST/HST return an ITC for 30% of the GST you paid or owe on your monthly overhead expenses. The balance of GST that is not eligible for an ITC qualifies for a 100% rebate.

<b>GST paid</b>	<b>\$50</b>	
Taxable part: \$50 × 30%	\$15	
<b>Input tax credit</b>		<b>\$15</b>
Exempt part: \$50 × 70%	\$35	
<b>100% rebate</b>		<b>\$35</b>

The method you use to determine the part of your general operating expenses used in your commercial activities and in exempt activities has to be fair and reasonable for your specific circumstances, and you have to use it consistently throughout the fiscal year.

If you are **not** a GST/HST registrant, you claim a 100% municipal rebate of the GST and the federal part of HST you paid or owe on all eligible purchases and expenses. Municipalities in Nova Scotia and New Brunswick may also claim a 57.14% rebate of the provincial part of the HST for these expenses.

## How to apply for the rebate

### Registrant municipalities

Your municipal rebate can be offset against any net tax you owe on your GST/HST return by claiming the rebate on **line 111**. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*, and Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*.

You have up to four years from the due date of your GST/HST return for the claim period in which you made the purchase or incurred the expense to apply for the municipal rebate. You do not have to include original invoices or receipts with the rebate application. However, you have to keep them for six years from the end of the calendar year to which they relate, in case we ask to see them.

Your branches or divisions may be entitled to file their own GST/HST returns and rebate applications. To do so, each branch or division has to meet certain conditions. For example, each branch or division has to be separately identified by its location or the nature of its activities, and separate books and records must be kept. The head office has to send us a completed Form GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions*.

### Non-registrant municipalities

You can mail us your municipal rebate application every six months (at the end of your second and fourth fiscal quarters). For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate* and Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*.

You have up to four years from the end of the claim period in which you made a purchase or incurred an expense to claim a rebate for the GST/HST on that purchase or expense.

You can file one rebate application for the municipality as a whole. However, if your municipality has branches or divisions, you can also apply to have the branches or divisions file separate rebate applications. To do so, each branch or division has to meet certain criteria. Each branch or division has to be separately identified by its location or the nature of its activities, and separate books and records must be kept. The head office has to send us a completed Form GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions*.

## Simplified Method for claiming rebates

The Simplified Method provides both registrant and non-registrant municipalities with an easier way to calculate their municipal rebates. You do not have to file an election with us to use this method. You can use the Simplified Method to calculate your rebates if the revenues from your worldwide annual taxable supplies are \$500,000 or less in your last fiscal year or in the previous fiscal quarter in your current fiscal year. This total includes the annual taxable supplies of your associates, but does not include supplies of financial services or sales of capital real property.

In addition, your taxable purchases (other than zero-rated) must have been \$2 million or less in your last fiscal year, and it must be reasonable to expect that your taxable purchases in the current fiscal year will not be more than \$2 million.

### Registrant municipalities

To determine the amount of your rebate under the Simplified Method, multiply the amount of your eligible purchases and expenses for which you cannot claim an ITC by the fraction 5/105 if you paid or owe GST or 5/113 if you paid or owe HST. Claim 100% of the result of this calculation as your rebate. Municipalities in Nova Scotia and New Brunswick can also claim a rebate of the provincial part of HST. The rebate for the provincial part of HST is 57.14% of 8/113 of the total amount of your eligible purchases and expenses for which you cannot claim an ITC.

### Non-registrant municipalities

To calculate your rebate, multiply your eligible purchases and expenses on which you paid or owe GST by 5/105, or on which you paid or owe HST by 5/113 and claim this amount. Municipalities in Nova Scotia and New Brunswick can also claim a rebate of the provincial part of HST. To calculate the rebate for the provincial part of HST, multiply your eligible purchases and expenses on which you paid or owe HST by 8/113. Claim 57.14% of this amount for your provincial rebate.

#### Example

You are a municipality located in Ontario that provides exempt arts and crafts programs to children. The provincial sales tax (PST) is 8% and is neither refundable nor can your municipality claim it as a rebate.

Item	Amount	GST	PST	Total
Rent	\$1,500	\$ 75	–	\$1,575
Employees' salaries	\$1,000	–	–	\$1,000
Advertising	\$ 100	\$ 5	–	\$ 105
Equipment	\$ 400	\$ 20	\$ 32	\$ 452
Supplies	<u>\$ 300</u>	<u>\$ 15</u>	<u>\$ 24</u>	<u>\$ 339</u>
<b>Total</b>	<b><u>\$3,300</u></b>	<b><u>\$ 115</u></b>	<b><u>\$ 56</u></b>	<b><u>\$3,471</u></b>

#### Step 1

$$\begin{aligned} \text{Taxable expenses} &= \text{total expenses minus rent and employees' salaries} \\ &= \$3,471 - \$1,575 - \$1,000 \\ &= \$896 \end{aligned}$$

#### Step 2

$$\begin{aligned} \text{Multiply } \$896 \text{ by } 5/105: \\ &= \$896 \times 5/105 \\ &= \$42.66 \end{aligned}$$

#### Step 3

To calculate the Municipality's rebate, add the GST paid on the rent to the amount determined in Step 2. Then multiply the result by the rebate factor for municipalities.

$$\begin{aligned} \$42.66 + \$75 &= \$117.66 \\ \$117.66 \times 100\% &= \$117.66 \end{aligned}$$

Since the rebate factor is 100%, you can claim the full amount of the GST you calculated in Step 3 (\$117.66) as your rebate.

## Other rebates available

### Goods or services removed from a participating province

#### Tangible personal property

Municipalities in non-participating provinces can claim a rebate of the 8% provincial part of the HST they paid when they bought goods in a participating province, but consume, use, or supply the goods exclusively (generally 90% or more) outside the participating provinces. You can apply for this rebate by filing Form GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*.

To qualify for this rebate, you have to meet the following conditions:

- you are not eligible to claim an ITC for the GST/HST paid for the goods;
- you remove the goods from the participating province to a non-participating province no later than 30 days after the goods are delivered to you;
- you file Form GST495 no later than one year after the day you remove the goods from the participating province;
- you provide proof that you paid the applicable PST to a non-participating province;
- each receipt is for \$50 or more (before taxes) for purchases of goods eligible for the rebate; and
- your receipts total \$200 or more (before taxes) for purchases of goods eligible for the rebate.

The following goods are **not eligible** for this rebate:

- excisable goods, such as beer, spirits, wine, and cigarettes; and
- most gasoline, diesel fuel, and certain other types of fuel.

## Intangible personal property and services

Municipalities in Canada can get a rebate of the 8% provincial part of the HST if they receive intangible personal property (for example, a licence to use a computer program) or services in a participating province that will be consumed, used, or supplied primarily (more than 50%) outside the participating provinces. To qualify for the rebate, you have to meet the following conditions:

- you are not eligible to claim an ITC for the HST paid for the property or services;
- you file Form GST189, *General Application for Rebate of GST/HST*, no later than one year after the day the tax became payable;
- each receipt is \$50 or more (before taxes) for the intangible personal property or services eligible for the rebate; and
- the total amount of all your receipts is \$200 or more (before taxes) for the intangible personal property or services eligible for the rebate.

You cannot file more than one rebate application in a calendar month.

For more information on these rebates, see Technical Information Bulletin B-080, *Rebates of HST on Supplies Made From the Participating Provinces*.

## Purchases of printed books

You may qualify for the 100% rebate of the GST and the federal part of HST paid or owing on printed books, audio recordings of printed books, and printed versions of religious scriptures purchased **other than for resale**.

For this rebate, **printed books** do not include certain items such as the following:

- newspapers;
- magazines and periodicals that are not purchased by subscription or that have more than 5% of their printed space devoted to advertising;
- books designed primarily for writing or drawing on;
- brochures or pamphlets;
- agendas and calendars;
- directories; and
- rate books (for example, insurance rate books).

You qualify for this rebate, if you meet **all** the following conditions:

- you are a municipality; and
- 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 1-800-959-5525.

You claim this rebate on **line 307** of part E of form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*. 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 these publications purchased in a participating province. This means that the person selling the books should give you the rebate at the time of the sale.

## Sales of capital personal property by a non-registrant municipality

Municipalities and designated municipalities that are not registrants may claim a rebate of tax when they make a taxable sale of capital personal property, or designated municipal property that is capital property. The rebate is equal to the lesser of the basic tax content (defined on page 5) of the property at that time, or the tax that is, or would have been payable if there was not a tax-free rollover of the property.

Claim the rebate by sending us a completed Form GST189, *General Application for Rebate of GST/HST*, using Code 7. The application must be filed within two years after the day the amount payable on the sale became due or was paid.

## Capital property

**C**apital property includes most items for which you can claim capital cost allowance under the *Income Tax Act*. It includes equipment, machinery, office furniture, computers, and photocopiers, as well as some real property, such as land and buildings.

## Claiming input tax credits on capital property

As a GST/HST registrant and public service body, you do not apportion the GST/HST you paid or owe on acquisitions of capital property between commercial activities and the making of exempt supplies. Instead, you have to use the **primary use rule**. Under this rule, you can claim a full ITC on the acquisition or importation of capital property if you intend to use it **primarily** (more than 50%) in your commercial activities. If you intend to use the capital property 50% or less in commercial activities, you cannot claim ITCs but you may be eligible for the 100% municipal rebate of the GST and the federal part of the HST you paid or owe. If you are a resident of New Brunswick or Nova Scotia, you may also be eligible for a 57.14% municipal rebate of the provincial part of the HST.

#### Note

Designated municipalities must allocate expenses between their designated activities and their other activities, and apportion their rebate claim accordingly.

## Supplies of capital personal property

Capital personal property includes items such as office furniture, equipment, and computers, but does not include real property. Most supplies of capital personal property made by a municipality are taxable and, if the municipality is a registrant, it has to collect tax on such a supply.

Non-registrant municipalities that are small suppliers have to collect tax on taxable **sales** of capital personal property. However, they do not have to collect tax on leases or other supplies of capital personal property. As well, a non-registrant small supplier that is a designated municipality has to collect tax on a taxable sale of designated municipal property that is capital property of the person.

## Supplies of real property

### Sales

Most sales of real property made by a municipality are taxable; as are most sales of designated real property made by a designated municipality (certain sales of housing remain exempt). A municipality or designated municipality has to collect and remit tax on its taxable sales of real property, whether or not it is a GST/HST registrant, **unless**:

- the purchaser is registered for GST/HST and in the case where the purchaser is an individual, the property is neither housing nor supplied as a cemetery plot or place of burial, entombment or deposit of human remains or ashes; or
- the municipality and the purchaser jointly elect (using Form GST22, *Real Property – Election to Make Certain Sales Taxable*) to make taxable an otherwise exempt sale of housing.

Under these circumstances, the municipality does not collect the tax payable. The responsibility shifts to the purchaser to report and remit the GST/HST.

#### Note

Where a municipality makes a taxable sale of housing to an individual, the municipality has to collect and remit the GST/HST on that sale, whether the individual purchaser is registered or not.

### Leases

Most leases and other supplies of real property made by a municipality are taxable supplies, as are most leases and other supplies of designated real property made by a designated municipality (certain supplies of housing remain exempt). However, it is only registrant municipalities and registrant designated municipalities that have to collect and remit tax on these taxable supplies.

## Change in use of real property

Generally, the change-in-use rules for real property are the same as those for capital personal property of a GST/HST registrant municipality, unless the municipality has filed an election for particular real property to have the same ITC and change-in-use rules that apply for real property of corporations also apply to that property, and to treat its supplies of that property as taxable. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

## Self-supply rules for builders of social housing

Special self-supply rules apply to a builder that is a municipality that builds or substantially renovates housing, or builds an addition to a multiple unit housing if 10% or more of the residential units in the housing are intended to be leased to seniors, youths, students, individuals with a disability, individuals in distress or in need of assistance, or individuals whose eligibility for a unit is based on a means or income test.

During the construction phase, you can register for the GST/HST and claim ITCs for the GST/HST you paid or owe on goods and services you acquire.

Under the self-supply rules, when you first give possession or use of a residential unit in the housing under a lease, licence, or similar arrangement to an individual for use as a place of residence, you are considered to have made a taxable sale of the housing and you, as the builder, have to calculate and account for the GST/HST based on the greater of the following:

- the GST/HST on the fair market value of the building and the land that forms part of the housing; and
- the total of all the GST/HST you paid or owe for the construction of the building, the land that forms part of the housing, and any improvements to it.

### Example

You are a municipality that is registered for the GST/HST. You construct a multiple unit housing in British Columbia and you intend to supply 40% of the residential units in the housing to low-income individuals. The building's fair market value is less than the cost to construct it.

When you first give possession or use of a unit in the building to an individual as a place of residence, you are considered to have made a taxable sale of the building and the related land and you have to calculate and account for the GST on that sale. In this case, you must declare an amount that is equal to the total of all of the GST payable for the construction of the building, the purchase of the land that relates to the housing, and any improvements to it, since the fair market value is less than the total of these costs. The GST you are considered to have collected is included in determining your net tax. Any positive amount of net tax must be remitted.

## Expropriation

A municipality might, while acting as an authority of the province, expropriate real property of one of its residents for its own use. This might occur, for example, where a municipality intends to open or expand a highway and needs the surrounding non-municipal land to accomplish this.

Generally, the transfer of ownership that occurs when real property is expropriated by a municipality is considered to be a sale for GST/HST purposes, regardless of whether the transfer is voluntary or not. The tax status of the expropriated property depends on who sells the property (such as an individual, or a corporation), and the type of real property expropriated (for example vacant land or housing). If you have to pay GST/HST on the expropriation of real property, see “Input tax credits (ITCs)” on page 16 or “GST/HST public service bodies’ rebate” on page 17 for your ITC or rebate eligibility.

## Seizures and repossessions

When a municipality seizes or repossesses personal or real property (other than property under a lease, licence, or similar arrangement) from a person to satisfy a debt or other obligation, the GST/HST does not apply to the transfer of the property to the municipality resulting from the seizure or repossession.

### Example

A resident of a municipality fails to pay his municipal taxes and the municipality seizes the property. The GST/HST does not apply to the transfer of the property from the resident to the municipality.

Where a municipality causes a supply of property (as in a power of sale) to satisfy a debt owing by a debtor, this is also considered to be a seizure or repossession.

When a municipality causes the sale of property, usually by way of an auction, for unpaid municipal taxes, two separate transactions take place at the time of sale:

- the debtor transfers the property to the municipality (GST/HST does not apply to the transfer); and
- the municipality sells the property to a purchaser (GST/HST applies where the sale is taxable. For more information, see “Supplies of real property” on the previous page).

## Redemption of property

Where a municipality seizes and sells property of a debtor, the debtor might have a legal right to buy back the property (a right of redemption), usually within a certain period of time. Special rules apply to the redemption if the sale of the property between the municipality and the purchaser was taxable.

### Example

A buyer at an auction buys the seized real property of a debtor for an amount, plus GST. Under the applicable law, the original debtor has the right to redeem the property within a certain period of time, and does so. The redemption of the property by the original debtor is considered to be a sale by the auction buyer for no cost. The debtor is considered not to have ever sold the property or to have re-acquired it. If the debtor reimburses the auction buyer or the municipality the tax that the buyer paid on buying the property, we consider the debtor to have paid tax in error equal to the reimbursed tax amount, and the debtor can claim a rebate for tax paid in error for the amount.

## Special Quick Method of accounting

The Special Quick Method is a simplified accounting option available to eligible municipalities and designated municipalities that are GST/HST registrants. This method reduces paperwork and makes it easier to calculate the GST/HST remittances and file GST/HST returns because it eliminates the need to keep track of the actual GST/HST paid on purchases, or to separate purchases that are for commercial activities versus those for making exempt supplies.

When you use the Special Quick Method, you still collect GST/HST on the goods or services you supply. However, to calculate the amount of GST/HST to be remitted, multiply the amount of your GST/HST-included 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 part of the tax 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.

### Note

Whether the Special Quick Method will be more beneficial for you to use than the regular method depends on your specific situation.

Remittance rates for municipalities using the Special Quick Method vary according to the place of supply and the province in which the municipality is located. If all or substantially all (more than 90%) of the supplies are made either within or outside a participating province, you can use one remittance rate.

The following table outlines the Special Quick Method remittance rates depending on where the municipality is located, and where the supply is made.

## Supplies made after December 2007:

Municipality in:	Supplies made in:	Special Quick Method rate
Nova Scotia or New Brunswick	Participating province	10.7%
	Non-participating province	3.9%
Newfoundland and Labrador	Participating province	9.7%
	Non-participating province	2.8%
Non-participating provinces	Participating province	11.5%
	Non-participating province	4.7%

### Note

For rate information on the reporting periods that begin before January 2008, call us at **1-800-959-5525** or Revenu Québec at **1-800-567-4692**.

For more information, see Booklet RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

## How to apply to use the Special Quick Method

You can use the Special Quick Method whether you file GST/HST returns monthly, quarterly, or annually. Apply to use this method by filing Form GST287, *Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting*, or by calling **1-800-959-5525**.

If you file monthly or quarterly GST/HST returns, you have to make your election on or before the due date of the return in which you begin using the Special Quick Method.

If you file annual returns, you have to make your election on or before the first day of your second fiscal quarter.

If you have branches or divisions, your election to use this method will apply to all of your branches or divisions, whether or not they file separate GST/HST returns. Once you decide to use the Special Quick Method, you have to use it for at least one year. You can keep using it without having to re-elect, as long as you remain eligible.

## Special issues

### Amalgamation of municipalities

Where two or more incorporated municipalities merge, or amalgamate, to form one new incorporated municipality, the newly formed municipality is generally treated for GST/HST purposes, as a separate person from each of the former municipalities. There are exceptions to this rule. For more information, see "History of predecessor municipalities" on this page.

## Is new registration required?

If you, as the newly amalgamated municipality, make taxable supplies of goods and services in Canada, you have to register for GST/HST, unless you are a small supplier (see "Should you register?" on page 11).

The former municipalities generally have to cancel their GST/HST registrations and file their returns up to the day before the date of amalgamation. Any branch or division accounts must also be cancelled under their old Business Numbers (BNs). You may apply for new branch or division accounts under the newly amalgamated municipality's BN.

To simplify matters, we may permit a new municipality to keep the BN of one of its predecessors. For more information, call **1-800-959-5525**.

## Updating elections

Most elections in effect under the former municipalities do not transfer over to the new municipality. So in most cases, the newly amalgamated municipality must re-elect.

### Note

Where two or more municipalities merge or amalgamate and any of the predecessor municipalities had an election in effect to use the Special Quick Method, the election continues to be in effect as long as the newly amalgamated municipality is incorporated and meets all of the eligibility requirements for using this method.

## History of predecessor municipalities

Although the new municipality is deemed to be a person separate from its predecessor municipalities for most GST/HST purposes, certain GST/HST entitlements or obligations of the new municipality are determined based on the history of its predecessors.

We consider the new municipality to be the same as, or a continuation of each of the former municipalities, regarding real property purchased by the predecessors. For example, the basic tax content of the predecessors' real property immediately before the amalgamation, become the basic tax content of the new municipality's real property immediately after the amalgamation.

In addition, the new municipality is considered to be a continuation of each of its predecessors for:

- determining ITC entitlements for the GST/HST paid on goods and services purchased by a predecessor;
- bad debt adjustment – once a debt becomes bad, and you have written it off in your books, you may be able to recover some of the tax you previously remitted on the original supply;
- the threshold amounts used for determining reporting periods – the threshold amount will be based on the combined supplies of the predecessor municipalities; and
- prescribed purposes.

## Transferring of assets and property to the newly amalgamated municipality

The transfer of any assets by a predecessor to the newly amalgamated incorporated municipality due to the amalgamation is not a supply and is not subject to GST/HST.

## Municipal designation or determination

If a predecessor organization was designated or determined to be a municipality, the newly amalgamated organization has to apply for a new municipal designation or determination. For more information, see “Who qualifies as a municipality?” on page 7.

## Cost-sharing arrangements

Cost sharing is a common way for two or more municipalities to share costs when buying third-party services, or when jointly operating programs such as 911 dispatch services or a recreational centre. This arrangement generally involves sharing the costs of expenses such as office space, employee wages, and utilities.

In a typical cost-sharing arrangement, one of the members of the group acts as an **administrator**, handling the day-to-day operating duties such as buying goods and services from third parties and paying the shared wages and benefits of employees. The administrator pays all of the costs initially, and receives reimbursement of their share of the costs from the other members of the group.

The tax status of the various supplies under a cost-sharing arrangement depends on the nature of the relationship between the administrator and the other members of the arrangement.

## Non-taxable reimbursements

If the administrator is acting as an **agent** of the other members, we generally do not consider the reimbursements to be made as payment for a supply of goods or services. The administrator does not charge GST/HST on the amounts reimbursed by the other members of the group.

If the administrator is **not** acting as an agent for the other members of the arrangement, there is a **supply** of the goods or services by the administrator to the other members of the group. The tax status of that supply depends on the nature of the good or service being supplied by the administrator, and whether or not the supply is exempt. If the supply is not exempt, the goods or services are taxable.

## Municipal officers' allowance

When you pay a non-accountable allowance to a municipal officer for expenses (all or substantially all of which are taxable at 5%) that they incur in Canada, or for the use of a motor vehicle in Canada, you may be eligible to claim a GST/HST municipal rebate on the allowance.

You can claim the rebate if the following conditions are met:

- the allowance is reasonable (for example, where the municipal officer regards the allowance as being enough to cover the actual expenses for which the allowance was paid);

- the allowance is not included when determining the officer's income for income tax purposes; and
- the allowance is used for supplies purchased in Canada (which are all or substantially all taxable, other than zero-rated), or for the use of a motor vehicle in Canada, for the activities of the municipality.

We consider the municipality, not the municipal officer, to have received a supply and to have paid GST/HST equal to 5/105 or 13/113 of the amount of the allowance. Accordingly, you can claim a 100% municipal rebate of the GST or the federal part of the HST deemed to have been paid on the allowance and a 57.14% municipal rebate of the provincial part of the HST deemed to have been paid on the allowance if you are located in New Brunswick or Nova Scotia.

### Example

A municipality pays the mayor \$60,000 annually, which includes a non-accountable expense allowance of \$20,000 authorized by the provincial *Municipal Act*. The allowance is a limited and predetermined payment made by the municipality to allow the mayor to defray the expenses associated with the mayor's office. The mayor is not accountable to the city council for how the money is used, nor does the mayor have to provide receipts or documentation to show how the money is spent. The municipality can claim a municipal rebate of the tax it is considered to have paid for the allowance.

You calculate the amount you are considered to have paid on the allowance as follows:

GST determined on the allowance:  
 $\$20,000 \times 5\% = \$952.38$

The federal part of the HST determined on the allowance:  
 $\$20,000 \times 5/113 = \$884.95$

The provincial part of HST determined on the allowance:  
 $\$20,000 \times 8/113 = \$1,415.93$ .

Calculate the amount of your rebate at the rate of:

- 100% of the GST or federal part of the HST; and
- 57.14% of the provincial part of HST if you are in Nova Scotia or New Brunswick.

## Grants and subsidies

As a municipality, you may provide or 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 small non-profit organization, to major government-funded projects. Usually, when a transfer payment is made in the public interest or for charitable purposes, GST/HST does not apply on the payment.



However, if there is a direct link between a transfer payment made by the grantor and a taxable supply made by the recipient of the payment (including where the property or service is provided to a third party), the transfer payment may be taxable, and GST/HST may need to be collected on the amount.

The tax treatment of transfer payments is determined on a case-by-case basis. For more information, see Technical Information Bulletin, B-067, *Goods and Services Tax Treatment of Grants and Subsidies*, or call 1-800-959-5525.

## For more information

Contact us if, after reading this guide, you would like to get forms or publications, or you need more help.

To get forms or publications, visit our Web site at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or call 1-800-959-2221.

For more information or enquiries, visit our Web site at [www.cra.gc.ca/gsthst](http://www.cra.gc.ca/gsthst) or call 1-800-959-5525.

## Ordering personalized remittance forms

The following personalized remittance forms are not available on our Web site, since we can only provide them in a pre-printed format:

- RC158, *GST/HST NETFILE/TELEFILE Remittance Voucher*;
- RC159, *GST/HST Amount Owing Remittance Voucher*;
- RC160, *GST/HST Interim Payments Remittance Voucher*; and
- RC177, *GST/HST Balance Due Remittance Voucher*.

To order these forms:

- visit My Business Account on our Web site at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount) (if you have a Government of Canada epass);
- visit our Web site at [www.cra.gc.ca/requests-business](http://www.cra.gc.ca/requests-business); or
- call 1-800-959-5525.

## Teletypewriter users

If you use a teletypewriter, you can call our bilingual enquiry service (1-800-665-0354) during regular business hours.

## Direct deposit



If you are expecting refunds or rebates when you file your GST/HST returns or rebate applications, 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](http://www.cra.gc.ca/dd-bus). This is a safe, convenient, dependable, and time-saving method of receiving your GST/HST refunds and rebates.

Once processed, you will be able to view your direct deposit banking information using our My Business Account service at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

## Our Service Complaint process

If you are not satisfied with the **service** you have received, contact the CRA employee you have been dealing with (or call the phone number you have been given). If you still disagree with the way your concerns are being addressed, ask to discuss the matter with the employee's supervisor.

If the matter is still not resolved, you have the right to file a service complaint by completing Form RC193, *Service-Related Complaint*. If you are still not satisfied with the way that the CRA has handled your complaint, you can contact the Taxpayers' Ombudsman.

For more information, visit our Web site at [www.cra.gc.ca/complaints](http://www.cra.gc.ca/complaints) or see Pamphlet RC4420, *Information on CRA – Service Complaints*.

## My Business Account

This online service provides convenient and secure access to a growing range of personalized business account information and services. Through My Business Account you can do the following:

- view account balances and transactions;
- authorize or manage representatives;
- change your mailing instructions;
- search your payment history;
- ask for interest reviews;
- ask for credit transfers;
- ask for additional remittance forms; and
- ask for copies of notices and statements.

To use My Business Account, you need a Government of Canada epass. For more information and to apply for your Government of Canada epass, visit our Web site at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

## GST/HST electronic filing and remitting

If your return has a balance owing, you may be able to file your GST/HST return electronically using GST/HST NETFILE or TELEFILE. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

You may also be able to file returns and make remittances electronically through a participating financial institution. For more information, visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca) and select "Online services" or contact your financial institution.

## **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