



How a Charity Calculates the Net Tax to be Reported on its GST/HST Return

[This info sheet replaces the version dated March 2010.](#)

The Canada Revenue Agency (CRA) administers the goods and services tax (GST) at the rate of 5% as well as the harmonized sales tax (HST) in the participating provinces at the following rates:

- 13% – Ontario (5% federal part and 8% provincial part)
- 15% – Nova Scotia (5% federal part and 10% provincial part)
- 13% – New Brunswick (5% federal part and 8% provincial part)
- 12% – British Columbia (5% federal part and 7% provincial part)
- 13% – Newfoundland and Labrador (5% federal part and 8% provincial part).

The HST came into effect on July 1, 2010, in Ontario and British Columbia. The HST increased to 15% from 13% effective July 1, 2010, in Nova Scotia.

This info sheet explains how a charity calculates the net tax to be reported on its GST/HST return.

“Charity” means a registered charity or a registered Canadian amateur athletic association within the meaning of the *Income Tax Act*. For GST/HST purposes, a charity does not include a public institution.

“Public institution” means a registered charity (within the meaning of the *Income Tax Act*) that is a school authority, a public college, a university, a hospital authority, or a local authority determined by the CRA to be a municipality. Information on how the GST/HST applies to public institutions is available in GST/HST Info Sheet GI-068, *Basic GST/HST Guidelines for Public Institutions*.

“Registrant” means a person who is registered, or is required to be registered, for GST/HST purposes.

“Selected public service body” means:

- a school authority, a university or a public college that is established and operated otherwise than for profit;
- a hospital authority;
- a municipality;
- a facility operator; or
- an external supplier.

“Supply” means the provision of property or a service in any manner, including sale, transfer, barter, exchange, licence, rental, lease, gift, or disposition.

“Taxable supply” means a supply subject to the GST or the HST and includes a “zero-rated supply” taxable at the rate of 0%.

“Exempt supply” means a supply not subject to the GST/HST.

How often must a charity file a GST/HST return?

A charity that is a registrant is required to complete and file a GST/HST return for each of its reporting periods by using either Form GST34, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, or Form GST62, which is the non-personalized version of Form GST34. Once a charity is registered for GST/HST purposes, a personalized GST/HST return (Form GST34) is automatically sent to the charity for each of its reporting periods.

La version française du présent document est intitulée *La façon dont un organisme de bienfaisance doit calculer la taxe nette dans ses déclarations de TPS/TVH*.



A charity registering for GST/HST purposes is assigned an annual reporting period regardless of its revenues. This means that most charities registered for GST/HST purposes file a GST/HST return once a year to report their net tax.

A charity that wishes to change its reporting period and file monthly or quarterly GST/HST returns can do so by calling the CRA at 1-800-959-5525, or by completing and filing Form GST20, *Election for GST/HST Reporting Period*.

Form GST20 and other forms are available on the CRA Web site at www.cra.gc.ca/orderforms or by calling 1-800-959-2221.

The net tax calculation for charities

For registrants, other than charities, net tax is generally the difference between any GST/HST collected or collectible by a person less any input tax credits (ITCs) that the person is entitled to recover for the GST/HST paid or payable on its purchases. However, there is a different net tax calculation method specifically for charities that are registrants.

The net tax calculation method for charities simplifies the way charities calculate their net tax as it generally removes the need for charities to allocate their purchases in relation to their taxable supplies and exempt supplies. A charity must use this method to determine its net tax unless it meets one of the exceptions listed under the heading, “Exceptions to using the net tax calculation for charities”.

To calculate its net tax remittance for a reporting period using the net tax calculation for charities, a charity must follow the steps below.

Step 1 – Determine the total GST/HST and adjustments for the reporting period

The total of the GST/HST and adjustments for the period is reported on **line 105** of the GST/HST return, and includes:

- 60% of the GST/HST collected or collectible on most taxable supplies, including taxable supplies for which point-of-sale rebates and Ontario First Nations point-of-sale relief were given by the charity in the reporting period.

For most charities that are registrants, this is the only amount to be entered on **line 105**.

Occasionally, a charity will have to include additional amounts if it is involved in certain transactions. The additional amounts to be included in the total reported on **line 105** are:

- 100% of the GST/HST collected or collectible on taxable sales of capital property or real property (land or buildings), including deemed taxable sales of capital property or real property;
- 100% of the GST/HST deemed to be collected on property or services appropriated to, or for the benefit of, a member or relative of a member of the charity (e.g., an inventory item given to a member);
- 100% of the GST/HST deemed to be collected on property or services that the charity provides to an employee and that are taxable benefits for income tax purposes;
- 100% of the GST/HST collected or collectible on sales of goods when the charity was acting as an agent, or auctioneer and agent, of a person where the charity has to account for the tax;
- 100% of any GST/HST collected in error;
- 100% of all amounts required to be taken into account as GST/HST by the charity because of the recovery of a bad debt for a taxable sale of real property or capital property;
- the amount of GST/HST adjusted, refunded or credited to a charity by the seller of capital property or real property to the extent that the amount was previously claimed by the charity as an ITC; and
- any amount that the charity carried forward from designated reporting periods for which the charity received approval from the CRA to temporarily stop filing GST/HST returns for those periods in which it had \$1,000 or less of net GST/HST to report.

In general, charities using the net tax calculation for charities are not required to account for the GST/HST in respect of amounts that they receive under warranty claims or as rebates from manufacturers or other vendors.

Charities will also not have to account for the GST/HST if, as creditors, they seize personal property and take it for their own use.

Step 2 – Determine the total ITCs and adjustments

Charities that use the net tax calculation for charities cannot claim as ITCs most of the GST/HST paid or payable on their purchases (even if they relate to taxable supplies). Therefore, in most cases **line 108** of the GST/HST return will be zero. Nevertheless, there are some particular situations where the amount reported on **line 108** may include the following:

- 100% ITCs for the GST/HST paid or payable on the charity's purchases of, or improvements to, capital property or real property for use primarily (more than 50%) in the charity's commercial activities, including the deemed GST/HST payable when capital property is brought into a participating province for use primarily in its commercial activities;
- any ITC for the GST/HST paid or payable on the charity's acquisition of, or improvement to, real property based on the percentage of use of the real property in the charity's commercial activities (must be more than 10%) and for which it filed Form GST26, *Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply*, that is effective the day the property is acquired;
- any ITC equal to the basic tax content of real property just before an election by the charity takes effect to treat that property as a taxable supply (i.e., Form GST26 has been filed) and any ITC for the GST/HST considered paid on the deemed purchase of that property based on the percentage of use of the property in the charity's commercial activities (must be more than 10%), where the election takes effect on a day other than the day the property was acquired or the day the charity becomes a registrant;
- 100% ITCs for the GST/HST paid or payable on goods that the charity acquired, imported or brought into a participating province that will be sold by an agent or an auctioneer acting as the charity's agent;
- 100% ITCs for the GST/HST paid on goods imported by the charity on behalf of a non-resident person for use exclusively in the charity's commercial activities and sold when the charity was acting as an agent, or auctioneer and agent, for the non-resident person;
- 60% of the total of the GST/HST adjustments (e.g., for price reductions and rebates for foreign conventions, short-term accommodation in tour packages and to non-residents) or of point-of-sale rebates for the provincial component of the HST that the charity gave in the reporting period (do **not** include an amount for any Ontario First Nations point-of-sale relief credited in the reporting period as the charity may claim this amount by filing Form GST189, *General Application for Rebate of GST/HST*, using code 23);
- the GST/HST adjusted, refunded or credited in a credit note issued by the charity in the reporting period for tax charged in excess of the GST/HST collectible on certain supplies;
- GST/HST adjustments relating to sales of capital property or real property that the charity gave for tax collected in error, bad debts it wrote off during the period, or credits for the new housing rebate; and
- 100% ITCs that the charity was entitled to claim and that it carried forward from a reporting period when it did not have to use this net tax calculation method.

Step 3 – Determine the net tax

Subtract the total in Step 2 (**line 108**) from the total in Step 1 (**line 105**). The result is the charity's net tax. Enter this amount on **line 109** of the charity's GST/HST return.

Public service bodies' (PSB) rebate

A charity that is a registrant is entitled to claim a PSB rebate of 50% of the GST or the **federal** part of the HST paid or payable on purchases for which it cannot claim ITCs, subject to certain exceptions for property and services that are not eligible for the PSB rebate. For information on purchases that are not eligible for the PSB rebate, see Guide RC4082, *GST/HST Information for Charities*.

A charity that is resident in a participating province, and is **not** a selected public service body, is also entitled to claim a PSB rebate for the **provincial** part of the HST paid or payable on eligible purchases at the following rates:

- 82% – for a charity resident in Ontario
- 50% – for a charity resident in Nova Scotia
- 50% – for a charity resident in New Brunswick
- 57% – for a charity resident in British Columbia
- 50% – for a charity resident in Newfoundland and Labrador.

A charity that is also a facility operator or an external supplier may be entitled to claim PSB rebates at different rates for the GST/HST paid or payable on eligible purchases used in its activities as a selected public service body. More information is available in Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

If a charity is resident in more than one province, at least one of which is a participating province, it has to calculate the PSB rebate for the **provincial** part of the HST based on the extent it intended to consume, use or supply property or services in the course of its activities in **each** participating province in which it is resident.

Charities not resident in a participating province are not eligible for a PSB rebate for the **provincial** part of the HST.

If a charity is eligible to claim a PSB rebate for the **provincial** part of the HST, it must make sure that it does not include in its calculation any amounts for which it received a point-of-sale rebate for the **provincial** part of the HST (such as a point-of-sale rebate on books). The charity will be entitled to claim a PSB rebate for only the **federal** part of the HST paid on these goods.

A charity claims the PSB rebate for the GST/HST by completing and filing Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*, or Form GST284, which is a personalized version of Form GST66.

A charity claiming a PSB rebate for the **provincial** part of the HST must complete and file Form RC7066 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate*, or Form GST284 SCH, which is a personalized version of Form RC7066 SCH, together with Form GST284 or GST66.

If a charity that is a registrant wants to use its PSB rebate to reduce any amount it owes on its GST/HST return, or to increase any refund, it must file its PSB rebate application along with its return.

Charities that are registered for GST/HST purposes can electronically file their PSB rebate applications with their GST/HST returns using GST/HST NETFILE. For more information, go to www.cra.gc.ca/gsthst-netfile.

If a charity files its PSB rebate application with its GST/HST return, then it includes the rebate amount from **line 409** of its PSB rebate application on **line 111** of its GST/HST return.

A charity that is a registrant can also include on **line 111** of its GST/HST return the amount claimed under code 23 on Form GST189 for the Ontario First Nations point-of-sale relief credited by the charity in the reporting period. The charity files Form GST189 with its GST/HST return. If a charity electronically files its GST/HST return, it can also electronically file Form GST189 with its return. For more information, see GST/HST Info Sheet GI-106, *Ontario First Nations Point-of-Sale Relief – Reporting Requirements for GST/HST Registrant Suppliers*.

The amount reported on **line 111** is added to any amount reported on **line 110** (instalments and other payments) and totalled on **line 112**.

To determine a charity's final GST/HST refund or amount owing, the amount reported on **line 112** is subtracted from the amount on **line 109**. If the difference is negative, enter the amount on **line 114**. This is the charity's refund. If the amount is positive, enter the amount on **line 115**. This is the charity's amount owing.

If the charity has GST/HST to report on the purchase of real property on line 205 of the GST/HST return or GST/HST to be self-assessed on line 405 of the GST/HST return, this will affect the amount reported on line 114 or 115. For more information on the self-assessment rules, see Guide RC4022, *General Information for GST/HST Registrants*.

Example – net tax calculation for charities

A charity operates week-long overnight summer camps in Ontario for children aged 8 to 12. The charity is registered for GST/HST purposes and it uses the net tax calculation for charities. HST is collectible on the fees to attend the summer camps. During its reporting period, the charity built a new dining hall for use only by the campers. The charity also operates a gift shop where it makes taxable sales to the campers. The charity did not credit any point-of-sale rebates or Ontario First Nations point-of-sale relief in the reporting period.

The charity's revenues and expenses are as follows:

Revenues	
Overnight camps	\$300,000 + \$39,000 HST
Donations	\$250,000
Gift shop sales	\$4,000 + \$520 HST
Total HST collected	\$39,520

Expenses	
Salaries	\$50,000
Gift shop inventory	\$3,000 + \$390 HST
Bank charges	\$600
Expenses relating to the construction of the dining hall	\$150,000 + \$19,500 HST
Food purchases	\$17,500
Utilities	\$3,500 + \$455 HST
General expenses	\$2,000 + \$260 HST
Total HST paid	\$20,605

The charity will calculate its net tax as follows:

Step 1

\$23,712 (which is 60% of the total \$39,520 HST collected) is entered on line 105 of the GST/HST return.

Step 2

\$19,500 is entered on line 108 of the GST/HST return as the charity is eligible to claim an ITC for the HST paid on the construction of the dining hall as the real property, including the hall, is used solely by the charity for making taxable supplies.

Step 3

\$4,212 (\$23,712 – 19,500) is entered on line 109 of the GS/HST return. This amount is the charity's net tax before any rebate.

PSB rebate calculation

The remaining HST paid of \$1,105 (i.e., total HST paid of \$20,605 less ITC of \$19,500) on the other expenses is not eligible for an ITC under the net tax calculation for charities. However, the charity is eligible to claim a PSB rebate of 50% of the federal part of the HST paid on its other expenses in the amount of \$212.50 (i.e., $\$1,105 \times 5/13 \times 50\%$) and a PSB rebate of 82% of the provincial part of the HST paid on those expenses in the amount of \$557.60 (i.e., $\$1,105 \times 8/13 \times 82\%$) for a total PSB rebate claim of \$770.10.

The charity may include this amount on line 111 of its GST/HST return to reduce its net tax amount owing, provided the GST/HST return and the PSB rebate application are filed and sent together.

Exceptions to using the net tax calculation for charities

Election not to use the net tax calculation for charities

A charity that meets any of the conditions listed below can elect not to use the net tax calculation for charities.

1. The charity makes supplies outside Canada in the ordinary course of its business.
2. The charity makes zero-rated supplies (e.g., basic groceries, certain medical devices) in the ordinary course of its business.
3. 90% or more of the charity's supplies are taxable supplies.

To make the election, the charity completes and submits Form GST488, *Election or Revocation of an Election not to use the Net Tax Calculation for Charities*.

Revoking the election

The election not to use the net tax calculation for charities remains in effect until a request for its revocation is filed. A charity can revoke its election no earlier than one year after the election takes effect by completing and submitting Form GST488. Once a charity revokes the election, it will have to use the net tax calculation for charities.

Excluded from using the net tax calculation for charities

A designated charity cannot use the net tax calculation for charities. A designated charity is a charity that:

- provides employment assistance to individuals with disabilities;
- supplies services that are performed by such individuals to clients; and
- has been approved by the CRA to make its supplies of these services taxable when provided to a registrant.

A public institution cannot use the net tax calculation for charities.

Charities that have elected not to use the net tax calculation for charities, designated charities, and public institutions follow the “regular method” to calculate the net tax on their GST/HST returns. Information on the regular method for calculating net tax can be found in Guide RC4022, *General Information for GST/HST Registrants*.

This info sheet does not replace the law found in *the Excise Tax Act* (the Act) and its regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact any CRA GST/HST rulings office for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation* explains how to obtain a ruling and lists the GST/HST rulings offices. If you wish to make a technical enquiry on the GST/HST by telephone, please call 1-800-959-8287.

If you are located in Quebec and wish to make a technical enquiry or request a ruling related to the GST/HST, please contact Revenu Québec at 1-800-567-4692. You may also visit the Revenu Québec Web site to obtain general information.

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