



P-132

100% Rebate for Exports by a Charity or a Public Institution

NOTE: This version replaces the one dated February 28, 1994.

Date of issue: June 26, 2013

Legislative reference: Section 260 of the *Excise Tax Act*

National coding system file number: 11830-7

Effective date: January 1, 1991 for the GST
April 1, 1997 for the HST in Nova Scotia, New Brunswick and Newfoundland and Labrador;
July 1, 2010 for the HST in Ontario and British Columbia;
April 1, 2013 for the HST in Prince Edward Island.

All legislative references are to the *Excise Tax Act* (ETA) unless otherwise specified.

Please note that the following policy statement, although correct at the time of issue, may not have been updated to reflect any subsequent legislative changes.

Issue

This policy statement sets out the Canada Revenue Agency's (CRA) position as to whether a charity or a public institution may claim a 100% rebate of the goods and services tax (GST)/harmonized sales tax (HST) paid on its purchases of property or services which are not exported from Canada, but are used by the charity or public institution in support of activities outside Canada.

Decision

Pursuant to section 260, a charity or a public institution may claim a 100% rebate of the GST/HST only in respect of its tax-paid purchases of property or services that are exported from Canada by the charity or public institution, including those exported in the course of a commercial activity, and for which it is unable to claim an input tax credit.

This rebate does not apply to the GST/HST paid on property or services that are not exported, even though such purchases may be used in activities that support other activities outside Canada.

The following are examples of purchases of property and services that may support activities outside Canada, but are not exported from Canada. Since they are not exported, the GST/HST paid on such purchases would not be eligible for this rebate:

- overhead expenses incurred in Canada such as utilities and stationary supplies;

La version française de la présente publication est intitulée *Remboursement intégral visant les exportations des organismes de bienfaisance et des institutions publiques*.



- transportation costs incurred in Canada, such as the transport of grain to a Canadian port for export (note: this transportation service may be zero-rated if it is part of a continuous outbound freight movement);
- costs incurred in Canada associated with a fundraising event, such as promotional expenses, the purchase of prizes, and catering services; and
- costs incurred in Canada for component parts, whether imported or purchased in Canada, that are assembled into a new and different product that is subsequently exported from Canada.

Once it is determined that a property or service is exported from Canada, there is no requirement that it be supplied to a third party in order to qualify for the rebate; that is, the property or service may be used or consumed by the charity or public institution in its own activities outside Canada.

Determining whether property or services acquired by the charity or public institution are exported should be done on a case-by-case basis.

Discussion

“Charity” means a registered charity or a registered Canadian amateur athletic association within the meaning of the *Income Tax Act*, but, for GST/HST purposes, 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.

Pursuant to section 260, a charity or a public institution, whether a GST/HST registrant or not, may recover by means of a 100% rebate the GST/HST paid on exported property or services, as they are generally restricted in the input tax credits that they may claim. The rebate ensures that exports by charities and public institutions are relieved of any tax content. The rebate cannot be claimed for tax paid to export property and services. The rebate is only for the tax paid to buy the property and services; it does not include any tax payable.

This rebate is not available for the GST/HST paid on purchases of property or services that are not exported even if these purchases may be used in activities that support the charity or public institution’s activities outside Canada.

If the 100% rebate for exports by a charity or public institution is not available, section 259 and the *Public Service Body Rebate (GST/HST) Regulations* may allow the charity or public institution to recover a percentage of the GST/HST paid or payable on their eligible purchases and expenses that they cannot recover in any other manner. Most purchases are eligible for the public service body rebate, but there are specific purchases for which the rebate cannot be claimed. The rebate percentage depends on the type of organization, the activities performed, and the province(s) in which the organization is resident.

For further information, see the following GST/HST publications:

- Guide RC4034, *GST/HST Public Service Bodies’ Rebate*
- Guide RC4082, *GST/HST Information for Charities*
- GST/HST Info Sheet GI-067, *Basic GST/HST Guidelines for Charities*
- GST/HST Info Sheet GI-068, *Basic GST/HST Guidelines for Public Institutions*

Examples

Example 1

Facts

1. A charity resident in Ontario is involved in a charitable project in Brazil whereby it provides relief to indigent families and their communities.
2. It expends the following amounts in Ontario in connection with this project. Any supplies that the charity makes are exempt (it is not entitled to input tax credits).

	Expenditure	13% HST
Cost of equipment and supplies (exported from Canada)	\$1,000,000	\$130,000
Project overhead costs incurred in Canada (rent, utilities, stationery, etc.)	\$80,000	\$10,400
Fundraising in Canada in support of the project (mail-outs, fundraising dinners, etc.)	\$50,000	\$6,500
Total HST Paid		\$146,900

Issue

Whether the charity is entitled to a 100% rebate of the above HST paid pursuant to section 260.

Comments

The charity is not entitled to a rebate pursuant to section 260 in respect of the project overhead and fundraising costs, because these property and services are not exported by the charity. However, pursuant to section 259 and the *Public Service Body Rebate (GST/HST) Regulations*, the charity may claim a public service body rebate of some of the non-creditable tax charged¹. For more information, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate*. For purchases that are exported, the charity is entitled to a 100% rebate pursuant to section 260.

Consequently, the charity is entitled to claim the following rebate:

Section 260 rebate of 100% of the HST paid \$130,000
on supplies and equipment exported from
Canada

Example 2

Facts

1. A charity resident in New Brunswick is involved in a capital development project in Ecuador. It exports building materials from Canada for use in its construction projects. All the charity's supplies are exempt (it is not entitled to input tax credits).

¹ In general terms, "non-creditable tax charged" means the GST/HST paid or payable on eligible purchases and expenses for which no input tax credits, rebates, refunds or remissions under any Act of Parliament may be claimed, other than a public service body rebate.

2. The charity incurs the following expenses in New Brunswick with respect to the purchase and shipment of building materials. Shipment A is a zero-rated transportation service pursuant to section 7 of Part VII of Schedule VI. Shipment B does not represent a continuous outbound freight movement, and therefore is not zero-rated.

	Expenditure	13% HST
Purchase of the building materials	\$2,000,000	\$260,000
Transportation costs—Shipment A	\$100,000	nil
Transportation costs—Shipment B	\$60,000	\$7,800
Total HST Paid		\$267,800

Issue

Whether the charity is entitled to a 100% rebate of the above HST paid pursuant to section 260.

Comments

The charity is not entitled to a rebate pursuant to section 260 in respect of the purchase of shipment B, because this purchase is not exported by the charity. However, pursuant to section 259 and the *Public Service Body Rebate (GST/HST) Regulations*, the charity may claim a public service body rebate of some of the non-creditable tax charged. For more information, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate*. For purchases that are exported, the charity is entitled to a 100% rebate pursuant to section 260.

Consequently, the charity is entitled to claim the following rebate:

Section 260 rebate of 100% of the HST paid \$260,000
on building materials exported from Canada

Example 3

Facts

1. A charity resident in Nova Scotia exports solar-powered hand-held radios for the use of villagers who live in remote regions in third world countries. The villagers use the radios to listen to religious messages broadcast from local missions that the charity supports.

2. The charity expends the following amount in Nova Scotia with respect to the purchase of radio components. The charity assembles the component parts into radios in Nova Scotia and then exports the radios from Canada. All the charity's supplies are exempt (it is not entitled to input tax credits).

	Expenditure	15% HST
Purchase of component parts (pre-printed circuit boards, resistors, capacitors, speakers, diodes, transistors, cases, jacks, solar panels, etc.)	\$300,000	\$45,000
Total HST Paid		\$45,000

Issue

Whether the charity is entitled to a 100% rebate of the above HST paid pursuant to section 260.

Comments

The charity is not entitled to a rebate pursuant to section 260 in respect of the purchase of the radio components. The component parts were consumed by the charity in Canada and not exported since the assembly of the radios resulted in the creation and subsequent export of a new property that was different from the unconnected component parts. However, pursuant to section 259 and the *Public Service Body Rebate (GST/HST) Regulations*, the charity may claim a public service body rebate of some of the non-creditable tax charged. For more information, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate*.