

GST/HST FOR NOT-FOR-PROFIT ORGANIZATIONS

What your organization needs to
know about GST/HST



Course Overview

- Topics to be covered
 - When do you need to register for GST/HST
 - The small supplier rule
 - Taxable supplies
 - Exempt supplies
 - Claiming input tax credits
 - Public Service Bodies' Rebate
 - Quick methods of accounting for GST/HST

When does an NPO have to register for GST/HST?

- A not-for-profit organization must register for GST/HST and file GST/HST returns if:
 - It provides taxable supplies in Canada; and
 - It is not a small supplier

Small suppliers

- A non-profit organization is a small supplier if its total revenues from taxable supplies are \$50,000 or less in a single calendar quarter and in the previous four consecutive calendar quarters.
- Note that you have to include the total revenues from taxable supplies of all your associates in this calculation.

What are taxable supplies?

- Most goods and services supplied in Canada are subject to GST/HST
- Includes:
 - Registration for conferences, educational seminars and trade shows
 - Theatre subscriptions
 - Books and subscriptions to magazines and newsletters

What are exempt supplies?

- Certain supplies made by not-for-profit organizations are exempt from GST/HST.
- When a supply is exempt you do not charge any GST/HST
- Following are some of the most common exempt supplies

Exempt admissions

- Admissions to a performance, athletic or competitive event at which 90% or more of the performers, athletes or competitors are not paid directly or indirectly for their participation other than by government and municipal grants.
- Note that the admissions will not be exempt if they are for events specifically advertised as featuring paid participants or for events at which professional athletes compete for cash prizes.

Fund-raising activities

- Sales of goods (except alcoholic beverages and tobacco products) are exempt when all the following conditions are met:
 - You are not in the business of selling those goods
 - All the salespersons are volunteers
 - The sale price of each item is \$5.00 or less
 - The goods are not sold at an event where similar goods are sold by persons in the business of selling such goods

Gambling events

- Admission fees to gambling events are exempt if you meet both of the following conditions:
 - Volunteers run the event and take the bets
 - For bingo or casino events, the games are not held in a commercial hall or temporary structure (such as a bingo tent put up on a fair ground) used mainly for gambling activities.

Gambling events (cont'd)

- If you operate your own bingo games and casino nights, the fees you charge for the sale of bingo cards or on bets taken during the event are exempt provided that the bingo is run by volunteers. You are the operator if you have the provincial licence to run the event.

Memberships

- Memberships in a club are taxable if the main purpose of the club is to provide dining, recreational, or sporting facilities to its members.
- You can choose to have any other membership treated as taxable. This choice allows you to claim input credits for tax paid or payable on expenses related to the memberships.

Memberships (cont'd)

- In order to qualify as exempt, the membership must allow for the following benefits, but nothing more:
 - An indirect benefit that is intended to accrue to all members collectively
 - The right to receive services in the nature of investigating, conciliating, or settling complaints or disputes involving members;

Memberships (cont'd)

- The right to vote or participate in meetings
- The right to receive or acquire property and services for an additional fee equal to the fair market value
- The right to receive a discount for property or services sold by the organization when the total value of all the discounts is less than 30% of the membership fee.
- The right to receive periodic newsletters and other publications if the value is less than 70% of the membership fee.

Recreation Programs

- Supervised instructional classes or activities involving athletics, outdoor recreation, music, dance, crafts, arts, hobbies or other recreational activities are exempt if:
 - You provide them primarily to children 14 years of age or under and it does not involve overnight supervision throughout a large part of the program; or
 - You provide them primarily to individuals who are underprivileged or who have a disability

Claiming Input Tax Credits

- If you are an GST/HST registrant, you are eligible to claim ITC's (GST/HST paid or payable on the purchases and expenses related to your commercial activities).
- You cannot claim ITC's for the GST/HST paid or payable on property and services you resell, use or consume in the course of your exempt activities.

Claiming Input Tax Credits (cont'd)

- If an expense relates to a specific activity, then you can claim the ITC if it relates to a taxable supply. If it relates to an exempt supply, then you cannot claim the ITC.
- For general operating and overhead expenses such as occupancy costs, equipment rentals, professional fees and office supplies, then you must allocate the expenses between taxable and exempt activities in a “fair and reasonable” way and used consistently throughout the year.

What is fair and reasonable?

- CRA mentions the following methods
 - Number of square metres of space used in commercial activities relative to the total space occupied
 - Time allocation
 - Cost
 - Revenue earned

ITC'S on Capital Property

- Capital property consists primarily of buildings, furniture and equipment
- If the capital property is used more than 50% in your commercial activities (i.e. activities where you charge GST/HST), then you can claim a full ITC.
- If the commercial use is 50% or less, then you cannot claim an ITC.

Public Service Bodies Rebate

- Certain NPO's are eligible for a rebate of the portion of the HST that they pay
- You do not have to be registered for HST to claim the rebate
- Generally, an NPO qualifies for the rebate for a fiscal year if its percentage of government funding for the fiscal year or for the previous two fiscal years is at least 40% of its total revenue.
- Registered charities also qualify for the rebate

Public Service Bodies Rebate (cont'd)

- Eligible purchases and expenses for the public services bodies rebate include:
 - General operating expenses (such as rent, utilities, and administrative expenses) for which you cannot claim an ITC.
 - Most allowances and reimbursements that you pay to employees involved in your exempt activities.
 - Property and services used, consumed or supplied in your exempt activities.

Calculating the Rebate in Ontario

- In Ontario the HST consists of a federal portion (5%) and a provincial portion (8%)
- In Ontario, the rebate is calculated as 50% of the federal portion of the HST on eligible expenditures plus 82% of the provincial portion.
- This reduces the net HST from 13% to less than 4%.

How to apply for the rebate

- Complete form GST66 along with the provincial schedule, form RC7066-SCH
- You can either apply for the rebate on an annual basis or twice a year
- If you are eligible for the rebate and have not applied, you have up to four years from the last day of the claim period in which you incurred the expense to file a rebate application.

Special Quick Method - Eligibility

- Eligibility is based on total revenues from annual worldwide taxable supplies and those of your associates, including the GST/HST and zero-rated supplies
- Look at your last five fiscal quarters
- If either the first four or the last four fiscal quarters total less than \$400,000, then you are eligible to use the special quick method

Electing the Special Quick Method

- Complete form GST74 and send it to your tax services office
- If you file annual GST/HST returns, you have to make the election by the first day of your second fiscal quarter
- If you file monthly or quarterly GST/HST returns, you have to make the election by the due date of the return in which you begin using the quick method

Using the Special Quick Method

- When you use the special quick method, your GST/HST payable is not your GST/HST collected less input tax credits claimed
- Instead you take you taxable supplies including the GST/HST and multiply it by the remittance rate which is currently 8.8% for supplies made in Ontario for services and 4.4% for supplies made in Ontario for sales of goods.

Using the Special Quick Method (cont'd)

- You can deduct ITC's for purchases of capital assets, but not your other operating expenses.
- You are also entitled to a 1% credit on the first \$30,000 of eligible supplies, including the HST.

Another Special Quick Method

- If you are a qualifying non-profit organization i.e. an NPO whose percentage of government funding is at least 40% of its total revenue, you are eligible to use a different special quick method of accounting for HST.
- In order to use this special quick method, you must make a special election by completing form GST287 and sending it to your tax services office.

Qualifying non-profit organizations

- The due dates for making the election are the same as mentioned for the previous special quick method
- The calculation of GST/HST payable is also similar with the following exceptions:
 - The remittance rate is 9.9% in Ontario for a qualifying non-profit organization
 - You are not eligible for the 1% credit on the first \$30,000 of taxable supplies

Topics not covered

- Special rules for purchases and sales of real property
- Moving property from one province to another
- Self-assessing on imported goods and services

CRA Resources

- CRA has a number of guides to assist you including:
 - RC4081 – GST/HST Information for Non-Profit Organizations
 - RC4058 – Quick method of accounting for GST/HST
 - RC4247 – The Special Quick Method of Accounting for Public Service Bodies
 - RC4034 – GST/HST Public Service Bodies' Rebate

Expert help is available...

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