



Canada Revenue
Agency

Agence du revenu
du Canada

GST/HST Information for Non-Profit Organizations

Find out if this guide is for you

This guide explains how the goods and services tax/harmonized sales tax (GST/HST) applies to non-profit organizations (NPO). It explains registration requirements, exemptions, rebates, and simplified methods of accounting that may apply to your organization.

If you are registered for the GST/HST, see Guide RC4022, General Information for GST/HST Registrants. It has basic information on charging, collecting, and remitting the GST/HST.

Digital economy businesses

This guide does not provide detailed information for the new digital economy measures applicable to digital economy businesses including businesses that are registered or required to be registered under the simplified GST/HST registration regime of the digital economy provisions of Subdivision E of Division II of the Excise Tax Act, and to platform operators and non resident digital economy businesses that are registered or required to be registered under the normal GST/HST registration regime. The Canada Revenue Agency is currently working on a new memorandum publication addressing the situation affecting those digital economy businesses, including platform operators, that may have new obligations, including registering, charging, collecting and reporting the GST/HST. Until the release of this new publication, you can refer to “GST/HST for digital economy businesses: Overview” at canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses/digital-economy, or contact us at 1-833-585-1463 (from Canada and the U.S.) or 1-613-221-3154 (from elsewhere – collect calls are accepted) for more information.

GST/HST and Quebec

In Quebec, Revenu Québec generally administers the GST/HST. If the physical location of your business is in Quebec, you have to file your returns with Revenu Québec using its forms, unless you are a person that is a selected listed financial institution (SLFI) for GST/HST or Quebec Sales Tax (QST) purposes or both. For more information, see the Revenu Québec publication IN-203-V, General Information Concerning the QST and the GST/HST, available at revenuquebec.ca, or call 1-800-567-4692. If you are an SLFI, go to canada.ca/gst-hst-financial-institutions.

The CRA’s publications and personalized correspondence are available in braille, large print, e-text, and MP3. For more information, go to canada.ca/cra-multiple-formats or call 1-800-959-5525.

Unless otherwise stated, all legislative references are to the Excise Tax Act or, where appropriate, the GST/HST Regulations.

The CRA uses the term “Indian” as it has legal meaning under the Indian Act.

This guide uses plain language to explain the most common tax situations. It is provided for information only and does not replace the law.

La version française de ce guide est intitulée Renseignements sur la TPS/TVH pour les organismes à but non lucratif.

Table of contents

	Page		Page
Definitions	4	Change-in-use rule	15
What is the GST/HST?	6	Calculating the basic tax content	15
Who pays the GST/HST	6	Changing the use to more than 50% in commercial activities	15
How does the GST/HST work?	6	Changing the use to 50% or less in commercial activities	16
Should you register?	7	Simplified method for claiming ITCs	16
Small supplier	7	Public service bodies' rebate	17
Branches and divisions	8	Rebate for Non-Profit Organizations that provide municipal services	17
Members of unincorporated organizations	8	Property or services removed from a participating province	17
Taxable supplies	9	Simplified accounting methods	18
Taxable supplies (other than zero-rated)	9	Special quick method of accounting for qualifying non-profit organizations	18
Zero-rated supplies	9	Quick method of accounting for other non-profit organizations	19
Exempt supplies	9	Real Property	19
Exemptions for non-profit organizations	10	Taxable sales and leases	19
Admissions	10	Rebates for new housing	20
Amateur performances and events	10	Who remits the tax for a taxable sale of real property – Vendor or purchaser?	20
Free supplies	10	ITCs for real property	21
Fund-raising activities	10	Subsidized housing and self-supply	21
Gambling events	10	How do you remit the tax on the self-supply?	22
Direct cost exemption	10	Are you a non-registrant?	22
Memberships	11	Election for real property of a public service body	23
Memberships in a professional organization	11	Reporting the GST/HST you are considered to have collected	24
Memberships in a registered party	11	Change-in-use rules when the election is in effect	25
Public libraries	11	Digital services	26
Recreational programs	12	For more information	27
Relief of poverty, suffering, or distress	12		
Donations, grants, subsidies, and sponsorships	12		
Donations and gifts	12		
Grants and subsidies	12		
Sponsorships	12		
Input tax credits	12		
General operating and overhead expenses	13		
Capital property	14		

Definitions

Basic tax content of a property generally means the amount of GST/HST that was payable for the last acquisition of the property, and for any improvements made to the property since that last acquisition, less any amounts that were, or would have been, able to be recovered (for example, by rebate or remission, but not by input tax credits (ITC)). The calculation for the basic tax content takes into account any depreciation in the value of the property since it was last acquired (for example, when it was purchased or when it was last deemed to have been purchased, whichever occurred more recently).

Registrants may have to calculate the basic tax content of a property if they increase or decrease their use of the property in their commercial activities. Non-registrants may have to calculate the basic tax content of real property if they file a rebate under section 257 of the Excise Tax Act.

For more information on how to calculate basic tax content, see Guide RC4022, General Information for GST/HST Registrants.

Calendar quarter means a period of three months beginning on the first day of January, April, July, or October in each calendar year.

Capital property, in respect of a person, generally means:

- any depreciable property that is or would be eligible for a capital cost allowance deduction for income tax purposes
- any property, other than depreciable property, the sale of which would result in a capital gain or loss for income tax purposes

For GST/HST purposes, capital property does not include property in Classes 12, 14, 14.1, or 44 of Schedule II to the Income Tax Regulations.

Charity means a registered charity or registered Canadian amateur athletic association for income tax purposes, but does not include a public institution. A charity can issue official donation receipts for income tax purposes.

For the definition of charity for the purposes of the public service bodies' rebate, see Guide RC4034, GST/HST Public Service Bodies' Rebate.

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
- 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 of 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 a reasonable expectation of profit, and anything done in the course of making the supply or in connection with the making of the supply.

Consideration includes any amount that is payable for a supply by operation of law.

Designated municipal property means property of a person who is, at any time, designated to be a municipality for the purpose of claiming the 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 the course of activities specified in its designation, and an amount for 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 means a person designated by the Minister of National Revenue to be a municipality, but only in respect of activities specified in the designation that involve the making of supplies (other than taxable supplies) by the person of municipal services.

Election means a way for businesses and organizations to choose various options that may make it easier to comply with the GST/HST. Each election has its own eligibility criteria.

Exempt supplies means supplies of property and services that are not subject to the GST/HST. GST/HST registrants generally cannot claim input tax credits to recover the GST/HST paid or payable on property and services acquired to make exempt supplies.

External supplier means a charity, a public institution, or a qualifying NPO (other than a hospital authority or a facility operator), that makes ancillary supplies, facility supplies, or home medical supplies.

Facility operator means a charity, a public institution, or a qualifying NPO (other than a hospital authority), that operates a qualifying facility.

Fair market value generally means the highest price, expressed in dollars, that property or services would bring in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other. Fair market value does not include the GST/HST payable on the fair market value of the property. For sales of real property, fair market value does not include any provincial land transfer taxes payable on the sale.

Fiscal year means the tax year of the person, or where a person has elected to change their fiscal year, the period that the person elected to be their fiscal year. Where the person is an SLFI that is either an investment plan or a segregated fund of an insurer, it generally means a calendar year.

Government means the federal, provincial or territorial levels of government.

Improvement to capital property generally means any property or service acquired or imported to improve the capital property when the amount paid or payable for the property or service is included in the capital property's adjusted cost base for income tax purposes.

Input tax credit (ITC) means a credit that GST/HST registrants can claim to recover the GST/HST paid or payable for property 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, and such other local authority that the Minister of National Revenue may determine to be a municipality for GST/HST purposes.

Note

For the purposes of the public service bodies' rebate, a municipality includes a person designated by the Minister of National Revenue to be a municipality, but only in respect of activities, specified in the designation, that involve the making of supplies (other than taxable supplies) by the person of municipal services.

For more information, see Guide RC4049, GST/HST Information for Municipalities.

Non-profit organization (NPO) means a person (other than an individual, estate, trust, charity, public institution, municipality, or government) that meets **both** of the following conditions:

- It is organized and operated solely for non-profit purposes
- It does not distribute or make available any of its income for the personal benefit of any proprietor, member, or shareholder, unless the proprietor, member, or shareholder is a club, a society, or an association that has, as its primary purpose and function, the promotion of amateur athletics in Canada

Participating province means a province that has harmonized its provincial sales tax with the GST to implement the harmonized sales tax (HST). Participating provinces include New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island, but do not include the Nova Scotia offshore area or the Newfoundland offshore area except to the extent that offshore activities, as defined in subsection 123(1) of the Excise Tax Act, are carried on in that area.

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

Prescribed government organization means a prescribed entity that is a crown agent (for example, a Crown corporation) that is organized and operated solely for non-profit purposes and does not distribute or make available any of its income for the personal benefit of any proprietor, member, or shareholder.

Property means any property, whether real or personal, movable or immovable, tangible or intangible, corporeal or incorporeal, and includes a right or interest of any kind, a share and a chose in action, but does not include money.

Public institution means a registered charity for income tax purposes that is also a school authority, a public college, a university, a hospital authority, or a local authority determined by the Minister of National Revenue to be a municipality.

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

Public service body means a charity, NPO, municipality, university, public college, school authority, or hospital authority.

Qualifying non-profit organization means an NPO or prescribed government organization whose percentage of government funding is at least 40% of its total revenue.

Real property includes:

- a mobile home or floating home and any leasehold or ownership interest in such property
- in Quebec, immovable property and every lease of such property
- in any other place in Canada, all land, buildings of a permanent nature, and any interest in real property

Registered party means a political party, local or regional party association of the party, candidate, or referendum committee governed by an Act of Parliament or a law of a province that imposes requirements relating to election finances or referendum expenses.

Registrant means a person that is registered or required to be registered for the GST/HST, but generally excludes a person that is registered or required to be registered under special rules applicable to digital economy businesses unless that person registered under those special rules begins carrying on business in Canada, requiring them to register under the regular rules that apply to most persons.

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
- an external supplier

Service means anything other than:

- property
- money
- anything that is supplied to an employer by an employee in the course of employment

Small supplier means a person whose revenue (along with the revenue of all persons associated with that person) from worldwide taxable supplies was equal to or less than \$30,000 (\$50,000 for public service bodies) in a single calendar quarter and over the last four consecutive calendar quarters. The calculation excludes consideration attributable to the sale of goodwill of a business, supplies of financial services, and supplies by way of sale of capital property.

Charities and public institutions are also considered small suppliers if they meet the gross revenue test of \$250,000 or less.

For more information, see GST/HST Memorandum 2-2, Small suppliers.

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

Taxable supply means a supply that is made in the course of a commercial activity and is subject to the GST/HST (including zero-rated supplies).

Zero-rated supplies are supplies of property and services that are taxable at the rate of 0%. This means there is no GST/HST charged on these supplies, but GST/HST registrants may be eligible to claim ITCs for the GST/HST paid or payable on property and services acquired to provide these supplies.

What is the GST/HST?

The goods and services tax (GST) is a tax that applies to most supplies of goods and services made in Canada. The GST also applies to many supplies of real property (for example, land, buildings, and interests in such property) and intangible personal property such as trademarks, rights to use a patent, and digitized products downloaded from the Internet and paid for individually.

The participating provinces harmonized their provincial sales tax with the GST to implement the harmonized sales tax (HST) in those provinces. Generally, the HST applies to the same base of property (for example, goods) and services as the GST. In some participating provinces, there are point-of-sale rebates equivalent to the provincial part of the HST on certain qualifying items. For more information, see Guide RC4022, General Information for GST/HST Registrants.

GST/HST registrants who make taxable supplies (other than zero-rated supplies) in the participating provinces collect tax at the applicable HST rate. GST/HST registrants collect tax at the 5% GST rate on taxable supplies they make in the rest of Canada (other than zero-rated supplies). Special rules apply for determining the place of supply. For more information on the HST and the place-of-supply rules, see Guide RC4022.

The HST rate can vary from one participating province to another. For the list of all applicable GST/HST rates, go to canada.ca/gst-hst and select “GST/HST calculator (and rates)” under “Most requested.”

Exception for certain sales of new housing

Certain sales of new housing may be subject to a previous rate of GST/HST. For more information, see Guide RC4052, GST/HST Information for the Home Construction Industry.

Who pays the GST/HST?

Almost everyone has to pay the GST/HST on purchases of taxable supplies of property and services (other than zero-rated supplies). However, in some situations, individuals registered under the Indian Act, Indian bands and band-empowered entities are relieved of paying the GST/HST on taxable supplies. In addition, some groups and organizations, such as certain provincial and territorial governments, do not always pay the GST/HST on their

purchases. For more information go to canada.ca/gst-hst or see Guide RC4022.

Note

The CRA recognizes that many First Nations people in Canada prefer not to be described as Indians. However, the CRA uses the term **Indian** as it has legal meaning under the Indian Act.

How does the GST/HST work?

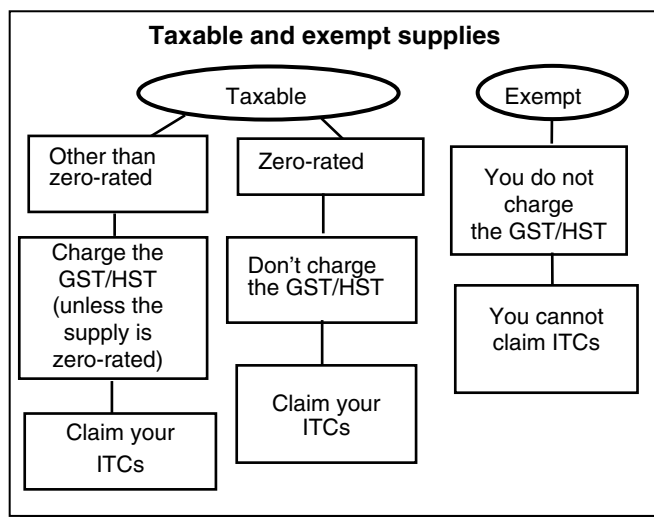
If you are a GST/HST registrant, you generally have to charge and collect the GST/HST on taxable supplies (other than zero-rated supplies) you make in Canada and file regular GST/HST returns to report that tax.

Exception

In certain cases, you do not have to collect the GST/HST on a taxable sale of real property. Instead the purchaser may have to pay the tax directly to us. For more information, see “Real Property” on page 19 and Guide RC4022.

You can generally claim ITCs on your GST/HST return to recover the GST/HST paid or payable on purchases and expenses to the extent you use, consume, or supply them in your commercial activities (see definition of “**Commercial activity**” on page 4).

For the consumer, there is no difference between zero-rated and exempt supplies of property and services because tax is not collected in either case. However, one of the differences for you, as the registrant, is that although you do not collect the GST/HST on zero-rated or exempt supplies of property and services, you can only claim ITCs for the GST/HST paid or payable on purchases acquired to make zero-rated supplies of property and services.



When you fill out your GST/HST return, deduct your ITCs from the GST/HST you charged your customers. The result is your net tax.

If the total amount of tax you charged is more than the amount of your ITCs, send us the difference. If the total amount of tax you charged is less than the amount of your ITCs, you can claim a refund. For more information on ITCs, see “Input tax credits” on page 12.

If you qualify to claim a rebate (such as the public service bodies' rebate or the rebate on printed books), deduct that amount from your net tax to reduce your net tax or to increase your refund. For more information, see "Public service bodies' rebate" on page 17.

Note

Special rules apply to charities. For more information, see Guide RC4082, GST/HST Information for Charities.

Should you register?

You have to register for the GST/HST if:

- you provide taxable supplies in Canada
- you are not a small supplier

You do **not** have to register if:

- you are a small supplier (that does not carry on a taxi business or provide commercial ride-sharing services)
- your only commercial activity is the sale of real property, other than in the course of a business. Although you do not have to register for the GST/HST in this case, your sale of real property may still be taxable and you may have to charge and collect the tax. For more information, see Guide RC4022
- you are a non-resident who does not carry on business in Canada. For more information, see Guide RC4027, Doing Business in Canada – GST/HST Information for Non-Residents

If your organization is registered for the GST, it is also registered for the HST. For more information, see Guide RC4022.

Small supplier

If you are a small supplier and decide not to register for the GST/HST, you do **not** charge the GST/HST to your customers (except for certain taxable sales of real property, capital municipal property, and designated municipal property) and you **cannot** claim ITCs to recover the tax paid or payable on your purchases and operating expenses.

However, if you are a qualifying NPO, you may still be entitled to claim a public services bodies' rebate, even if you decide not to register for the GST/HST.

An NPO is a small supplier if the total amount of all revenues (before expenses) from the worldwide taxable supplies of all of the organization's activities and those of its associates, is \$50,000 or less in **any** single calendar quarter and in the last four consecutive calendar quarters.

In determining the total amount of revenues from taxable supplies (including zero-rated supplies) of property and services made inside and outside Canada by you and your associates, do **not** include revenues from supplies of financial services, sales of capital property, and goodwill from the sale of a business.

Note

You are no longer a small supplier and you must register for the GST/HST if your total revenues from taxable supplies, including those of your associates, are over \$50,000 in a single calendar quarter or over four consecutive calendar quarters.

Exception

Taxi operators, commercial ride-sharing drivers and non-resident performers selling admissions to seminars, performances, and other events must register for the GST/HST, even if they are small suppliers.

Determining the effective date of registration for small suppliers

The effective date of your GST/HST registration depends on when you go over the small supplier threshold amount of \$50,000. If your revenues are over the threshold amount in one calendar quarter, you are considered a registrant and must collect the GST/HST on the supply that made you go over the threshold amount. Your effective date of registration is the day of the supply that made you go over the threshold amount. You must register within 29 days of that day.

If you are under the threshold amount in one calendar quarter, but you are over the threshold during four (or fewer) consecutive calendar quarters, you are considered to be a small supplier for those calendar quarters and for the month following those quarters. Your effective date of registration would be the day the first supply was made after you cease being a small supplier. You must register within 29 days of that day.

How to register

Before you register for a GST/HST account, you need a business number (BN). Your BN will be your business identification for all your dealings with us.

If you are incorporated, you may already have a BN and a corporate income tax account.

To set up a BN, a GST/HST account, and any other account you may need (such as a payroll deduction or import/export account), use our online service at canada.ca/business-registration-online, or send Form RC1, Request for a Business Number and Certain Program Accounts.

Note

When you register for a business number (BN) using Business Registration Online (BRO), you will be provided with a new 9 digit BN. You must retain this new BN for your own records and future interactions with the CRA.

Representatives can now access the "Business Registration Online (BRO)" service directly through "Represent a Client" at canada.ca/taxes-representatives. For more information, go to canada.ca/business-number.

Note

It is the person or business entity that registers for the GST/HST. For example, it is the partnership that registers and not each partner.

If the physical location of your business is in Quebec, contact Revenu Québec at **1-800-567-4692**.

New measures for digital economy businesses are in effect as of July 1, 2021. Digital economy businesses, including platform operators, may have new potential GST/HST obligations under these new measures. This means you may have new obligations, including registering, charging, collecting and reporting the GST/HST.

If you need to register for the GST/HST as a digital economy business, you need to register for either a simplified GST/HST account or a normal GST/HST account. The registration requirements are based on which digital economy measure applies to your business.

Simplified GST/HST is available for:

- Cross-border digital products and services
- Platform-based short-term accommodation

For non-resident digital economy businesses who are required to register for the simplified GST/HST, the only registration option is using the non-resident registration web form available at canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses/digital-economy-gsthst/terms-conditions.

For more information on filling out the non-resident registration web form, go to canada.ca/en/revenue-agency/services/tax/businesses/topics/registering-your-business/register.

Normal GST/HST is available for:

- Supply of qualifying goods

For more information on how to register for the GST/HST, go to canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses/digital-economy-gsthst/register-gst-hst.

Voluntary registration

If you are a small supplier and you are engaged in a commercial activity in Canada, you can **choose** to register voluntarily. If you register voluntarily, your effective date of registration is usually the date you applied to be registered. However, we will accept an earlier effective date, provided that the date is within 30 days of the date the application for registration is received, regardless of the method of registration.

Once you are registered, you have to charge and remit the GST/HST on your taxable supplies of property and services, and you can generally claim ITCs for the GST/HST paid or payable on purchases related to these supplies.

You have to stay registered for **at least** one year before you can ask to cancel your registration.

If you choose **not** to register, you do **not** charge the GST/HST (other than on certain taxable supplies of real property), and you **cannot** claim ITCs.

Branches and divisions

If you have to register for the GST/HST or want to register voluntarily, you have to do so as a single entity. Branches or divisions that are part of one legal entity **cannot** register separately. You have to take into account the total revenue of the entity to determine whether or not you have to register.

However, if you have branches or divisions, you can apply to have each branch or division with \$50,000 or less in taxable supplies designated as a small supplier division. To apply for this treatment, send us a completed Form GST31, Application by a Public Service Body to Have Branches or Divisions Treated as Eligible Small Supplier Divisions. If we approve the designation for a small supplier division, the branch or division will no longer collect the GST/HST on its taxable supplies (except for certain taxable sales of real property, capital municipal property, and designated municipal property) and it cannot claim ITCs for its purchases.

A branch or division will qualify as a small supplier division if it meets **all** of the following conditions:

- it has taxable supplies of \$50,000 or less in the **current** calendar quarter and also \$50,000 or less over the last four consecutive calendar quarters
- you can separately identify the branch or division by **either** its location or the nature of its activities
- separate records, books of account, and accounting systems are kept for the branch or division
- you have **not** revoked an earlier designation of the branch or division within the previous 365 day period

Once a branch or division no longer qualifies as a small supplier division, it has to start collecting the GST/HST on its taxable supplies and may qualify for ITCs.

The GST/HST does not apply to supplies transferred between branches or divisions that are part of one legal entity.

For more information, see GST/HST Memorandum 2-4, Branches and Divisions.

Members of unincorporated organizations

Generally, when **one** unincorporated organization (such as a club or association) is a member of an unincorporated main organization, but is a separate entity, the organizations have to charge the GST/HST on taxable transactions between them, if they are GST/HST registrants. However, such organizations can apply jointly to have the member organization considered a branch of the main organization.

To do so, the organizations jointly send us a completed Form GST32, Application to Deem One Unincorporated Organization to Be a Branch of Another Unincorporated Organization. If the application is approved, the GST/HST will **not** apply to transfers of property and services between the member organization and the main organization.

Note

When two unincorporated organizations are members of the same unincorporated main organization and each member applies jointly with the main organization, using Form GST32, the GST/HST will **not** apply to taxable transactions between the two member organizations if **both** applications are approved.

Taxable supplies

Most property and services supplied in or imported into Canada are subject to the GST/HST.

Taxable supplies (other than zero-rated)

The items below are examples of taxable supplies (other than zero-rated):

- registration for conferences, educational seminars, and trade shows
- theatre subscriptions
- books and subscriptions to magazines and newsletters
- mailing list sales
- advertising services
- restaurant meals
- short-term rental accommodation (of less than one month)
- banquet facilities
- club memberships, where the main purpose of the club is to provide recreational, dining, or sporting facilities to its members

For the list of all applicable GST/HST rates, go to canada.ca/gst-hst and select “GST/HST calculator (and rates)” under “Most requested.”

Zero-rated supplies

Some supplies are zero-rated under the GST/HST – that is, GST/HST applies at a rate of 0%. This means that you do **not** charge GST/HST on these supplies, but you may be eligible to claim ITCs for the GST/HST paid or payable on purchases made and expenses incurred to provide these supplies.

The following are examples of supplies taxable at 0% (zero-rated):

- basic groceries such as milk, bread, and vegetables
- agricultural products such as grain, raw wool, and dried tobacco leaves
- most farm livestock
- most fishery products such as fish for human consumption
- prescription drugs and drug-dispensing services
- certain medical devices such as hearing aids and artificial teeth

- feminine hygiene products
- exports (most property and services for which you charge and collect the GST/HST in Canada, are zero-rated when exported)
- many transportation services where the origin or destination is outside Canada

For more information, see GST/HST Memoranda Series, Chapter 4, Zero-rated supplies.

Exempt supplies

Some supplies are exempt from the GST/HST – that is, no GST/HST applies to them. This means that you do **not** charge the GST/HST on these supplies of property and services, **and** you are generally **not** entitled to claim ITCs on purchases made and expenses incurred to provide these supplies. Generally, you **cannot** register for the GST/HST if your business provides only exempt supplies; **one** exception is if you are a listed financial institution resident in Canada.

Note

Special rules apply if you are a designated municipality. For more information, see Guide RC4049, GST/HST Information for Municipalities.

Although you **cannot** claim ITCs for the GST/HST paid or payable on purchases that relate to the supplies of such property and services, certain qualifying NPOs can claim a rebate for part of the GST/HST paid or payable on expenses for which they cannot claim ITCs. For more information, see “Public service bodies’ rebate” on page 17.

The following are examples of exempt supplies:

- many educational services such as:
 - courses supplied by a vocational school leading to a certificate or a diploma that certifies the ability of individuals to practice or perform a trade or a vocation
 - tutoring services made to an individual in a course that follows a curriculum designated by a school authority
- music lessons
- most health, medical, and dental services performed by licensed physicians or dentists for medical reasons
- most services provided by financial institutions such as lending money or operating deposit accounts
- child care services, where the primary purpose is to provide care and supervision to children 14 years of age or under for periods of less than 24 hours a day
- long-term rentals of residential accommodation (of one month or more) and residential condominium fees
- residential rental accommodation if the charge is \$20 or less per day of occupancy
- certain property and services provided by governments, NPOs, municipalities, and other public service bodies including municipal transit services and standard residential services such as water distribution

For more information, see “Exemptions for non-profit organizations” on page 10.

Exemptions for non-profit organizations

The GST/HST applies to most property and services that NPOs supply. However, certain supplies may be **exempt** when they are made under specific conditions. This section explains the exemptions that apply to NPOs.

Admissions

Admissions to places of amusement, such as museums, recreational complexes, theatres, and wild life parks are exempt if the **maximum amount** charged is \$1 or less.

Amateur performances and events

Admissions to be a spectator of a performance, athletic, or competitive event are exempt as long as 90% or more of the athletes, competitors, or performers are not remunerated, either directly or indirectly, for their participation.

Government and municipal grants, reasonable gifts, prizes, and compensation for travel or other incidental expenses are **not** considered to be remuneration in this situation.

The admissions are **not** exempt if they are for **either**:

- events advertised as featuring paid participants
- events where professional athletes compete for cash prizes

Free supplies

Supplies of property and services are exempt when all or substantially all (90% or more) are provided free of charge. This exemption does **not** apply to supplies of blood or blood derivatives that are zero-rated or to a supply of commercial parking where there is a charge for the parking even if a significant amount of parking is free of charge.

Fund-raising activities

Sales of goods (except alcoholic beverages, cannabis products 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 or less.
- The goods are **not** sold at an event where similar goods are sold by persons in the business of selling such goods.

Example

To raise funds for their activities, players of a minor hockey league organization sell chocolate bars door-to-door for \$2. The sale of the chocolate bars is exempt.

Gambling events

Admission fees

Admissions 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.

Right to play

No GST/HST applies to revenues you receive from sales of lottery, break-open, and raffle tickets. However, sales of lottery tickets for a provincial or interprovincial lottery corporation are taxable. The GST/HST is included in the price of these lottery tickets. Lottery corporations will tell you how to treat the proceeds from these lottery tickets.

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. You are the operator if you have the provincial licence to run the event.

However, if the operator of a commercial bingo hall runs the event for you, the admission fee is taxable.

Example

You have a licence to operate a bingo in the basement of a church to raise funds for your activities. You sell bingo cards and charge an admission fee. The bingo is run by volunteers. The admission is exempt since the event is **not** run in a place used primarily (more than 50%) for gambling activities. The sale of the bingo cards is also exempt since you have the licence to operate the event.

Direct cost exemption

Tangible personal property (goods) and services you sell for an amount that is **not more than** your direct cost may also be exempt. The direct cost exemption applies to sales of tangible personal property (other than capital property or designated municipal property) and services that are bought for resale.

Direct cost includes the following amounts:

- the amount you paid when you bought the property or service
- the amount you paid for an article or material (other than capital property) directly used to manufacture, produce, process, or package the good
- the GST/HST, Quebec sales tax (QST), and non-recoverable provincial taxes, duties, and fees you paid when you bought the property or services

Direct cost does **not** include administrative or overhead expenses or employees' salaries that you incur to provide these goods or services.

If you want to recover only your direct cost, you can choose to make your sales **either** taxable or exempt depending on your tax treatment of the sale.

If you sell particular goods or services for a price that is no more than your direct cost and you do **not** charge the GST/HST, these sales are exempt.

Example

You buy a T-shirt for \$10 plus \$0.50 GST. Your direct cost is \$10.50. The sale of the T-shirt is exempt if the price you sell it for is not more than \$10.50 and you do **not** charge the GST to your customer.

However, if you sell a particular good or service for a price that is equal to or more than your direct cost (not including the GST/HST and the QST, when the person is a QST registrant) and you charge an amount as GST/HST on the selling price, these sales are considered to be taxable sales.

Example

You buy a T-shirt for \$10 plus \$0.50 GST and sell it to your customer for \$10 plus \$0.50 GST. Since you charged an amount equal to your direct cost **not** including the GST and charged the GST separately, the sale of the T-shirts is taxable.

The sale of the T-shirt would be exempt if you sold it for less than \$10 even if you charged the GST/HST to your customer. In this case, you would have collected the tax in error.

Memberships

Memberships sold by an NPO can be exempt or taxable depending on the type of benefits the members are entitled to. If the memberships sold by an NPO allows for the following benefits but nothing more, the memberships are exempt:

- 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
- 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 insignificant (less than 30%) in relation to the membership fee. For example, a \$100 membership fee provides members with a \$5 discount for each of 10 admissions to the theatre (\$50 discount).

This membership would be taxable since the total value of the discounts is significant (30% or more) in relation to the membership fee whether or not the discounts are used

- the right to receive periodic newsletters, reports, or other publications if:
 - the value of the newsletters, reports, and publications is insignificant (less than 30%) in relation to the membership fee
 - the newsletters, reports, and publications provide information on the organization's activities or financial status except if their value is significant in relation to the membership fee and a fee is ordinarily charged to non-members

Memberships in a club are **taxable** if the main purpose of the club is to provide dining, recreational, or sporting facilities to its members such as a membership in a golf club.

If your membership fees are exempt, you can **choose** to have them treated as taxable. This choice may allow you to claim ITCs for tax paid or payable on expenses related to the memberships. If your members are registered for the GST/HST and are using their memberships in their commercial activities, they also may be eligible to claim ITCs for the GST/HST they pay on their memberships.

To have exempt memberships treated as taxable, you have to fill out Form GST23, Election and Revocation of the Election by a Public Sector Body (Other than a Charity) to Have its Exempt Memberships Treated as Taxable Supplies. You do **not** have to send us the form. However, you have to keep it with your books and records in case we ask to see it.

Memberships in a professional organization

Memberships sold by a professional organization are exempt if any membership in the organization is required by law to maintain a professional status, such as a provincial law society membership. However, you can choose to have your memberships treated as taxable by filling out Form GST24, Election and Revocation of the Election to Tax Professional Memberships. You do **not** have to return this form to us. Instead, keep the completed form with your records in case we ask to see it.

Memberships in a registered party

Memberships in a registered party are always exempt. No election is available to make them taxable.

Public libraries

Library cards issued by public lending libraries are exempt.

Recreational programs

Membership fees and services for recreational programs established and operated by an NPO are exempt 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:

- you provide them primarily to children 14 years of age or under and they do **not** involve overnight supervision throughout a large part of the program
- you provide them primarily for individuals who are underprivileged or who have a disability

Relief of poverty, suffering, or distress

Supplies of food, beverages, or short-term accommodation that are provided in the course of an activity the purpose of which is to relieve the poverty, suffering, or distress of individuals, and that are not fundraising, are exempt. For example, the GST/HST does not apply to charges for meals or accommodation at a shelter for individuals in distress.

Supplies of prepared meals provided in an individual's home through programs designed for seniors, underprivileged individuals, or individuals with a disability, such as meals-on-wheels programs, are exempt. In addition, sales of food and beverages by any person to an NPO operating such a program are also exempt.

Donations, grants, subsidies, and sponsorships

Donations and gifts

The GST/HST does **not** apply to donations and gifts. A donation or gift is a voluntary transfer of money or property for which the donor does **not** receive **any** benefit in return. If the donor receives property of nominal value, such as a key ring, a pin, or an envelope seal, in exchange for the donation, the donation will still not be subject to the GST/HST.

However, if the donor receives a property or service of more than nominal value in exchange for the donation, the payment may be subject to the GST/HST, **unless** the property or service is an exempt or zero-rated supply.

Grants and subsidies

As an NPO, you may receive grants, contributions, subsidies, forgivable loans and similar payments (often referred to as transfer payments).

If there is a direct link between a payment you receive and a supply you provide to either the grantor of the transfer payment or a specified third party, the transfer payment may be regarded as consideration for a supply. If this is the case, the transfer payment may be subject to the GST/HST.

The tax treatment of transfer payments will be determined on a case-by-case basis. For more information, see GST/HST Memorandum 18-4, Determining Whether a Transfer Payment is Consideration For a Supply.

Sponsorships

An NPO often receive sponsorships from businesses to fund their activities. In return, the NPO may provide promotional services to the sponsor or may allow the sponsor the right to use its logo, trade name, or any similar intellectual property.

Example 1

A corporation agrees to sponsor your non-profit soccer team. In return, you agree to advertise the corporation's trade name on the team's uniform or you run a sporting event and publish an acknowledgement of the sponsor in the event's program.

The payments from the corporation are **not** considered payment for a good or service; therefore, they are **not** subject to the GST/HST.

Example 2

You receive funding in return for allowing a corporation the right to use your organization's logo. The corporation uses your logo in its advertising campaign. The payments from the corporation are not considered payment for a good or service; therefore, they are not subject to the GST/HST.

If the payment by the sponsor is made primarily (more than 50%) for advertising on television or radio, or in a newspaper, magazine, or other publication issued periodically, the payment received is **not** payment for a sponsorship, but rather a payment for advertising services. Therefore, the payment is subject to the GST/HST.

Receiving donations, grants, subsidies, and sponsorships does **not** affect your NPO's entitlement to the GST/HST rebates or ITCs. For more information, see "Public service bodies' rebate" on page 17.

Input tax credits

As an NPO that is a GST/HST registrant, you recover the GST/HST paid or payable on the purchases and expenses related to your commercial activities by claiming ITCs. You **cannot** claim ITCs for the GST/HST paid or payable on property and services you resell, use, or consume in the course of your exempt activities.

Examples of property and services acquired for use in your commercial activities for which you may be able to claim ITCs include the following:

- property you purchase or import for resale or export
- property you purchase or import to incorporate into property for sale or export
- services acquired for resupply to others
- services acquired for consumption, use, or supply in producing goods for resale or export
- capital property such as vehicles and real property used primarily in commercial activities

- general operating expenses such as office rent, office supplies, advertising, and utilities to the extent they are for use in commercial activities
- equipment rentals of computers, vehicles, and photocopiers to the extent they are for use in commercial activities

There are some purchases and expenses for which you **cannot** claim ITCs, such as:

- certain capital property (for more information, see “Capital property” on page 14)
- taxable supplies of property and services bought or imported to provide exempt supplies of property and services
- membership fees or dues to any club whose main purpose is to provide recreation, dining, or sporting facilities (including fitness clubs, golf clubs, and hunting and fishing clubs), unless you acquire the memberships to resell in the course of your business
- property or services you bought or imported for your personal consumption, use, or enjoyment

Some NPOs can claim a rebate to recover part of the GST/HST paid or payable on expenses for which they **cannot** claim ITCs. For more information, see “Public service bodies’ rebate” on page 17.

There are special rules for NPOs that are financial institutions.

When you acquire property or services partly for use in making taxable supplies for consideration, and partly for use in making exempt supplies, you must apportion the GST/HST accordingly in calculating your ITC claim. Also, there are special rules for supplies made for no or nominal consideration.

Most registrants claim their ITCs when they file their GST/HST return for the reporting period in which they made their purchases. However, you can generally claim your ITCs on any future return filed by the due date of the return for your last reporting period that ends within four years after the end of the reporting period in which the ITCs could have first been claimed.

Example

You are a quarterly filer and you buy office furniture in the reporting period January 1, 2022, to March 31, 2022, for which you can claim ITCs. The due date of the return for this reporting period is April 30, 2022. You can claim your ITCs for the office furniture on **any** future return filed by April 30, 2026.

The time limit for claiming ITCs for a reporting period is reduced from four to two years for NPOs with revenues from annual taxable supplies of property and services of more than \$6 million for each of the two preceding fiscal years.

However, the two-year time limit does not apply to an NPO whose supplies of property and services (other than financial services) during either of the two preceding fiscal years are at least 90% taxable supplies. These NPOs would have four years to claim their ITCs.

Under the two-year limit, you can claim your ITCs on any future return that is filed by the due date of the return for the last reporting period that ends within two years after the end of your fiscal year that includes the reporting period in which the ITCs could have first been claimed.

Example

You are a monthly filer with a fiscal year end of December 31. You buy goods in the reporting period March 1, 2022, to March 31, 2022, for which you can claim ITCs. The fiscal year that includes the March 2022 return ends on December 31, 2022. Therefore, you can claim the ITCs on the goods you purchased on **any** subsequent return for a reporting period that ends no later than December 31, 2024, and is filed by January 31, 2025.

General operating and overhead expenses

General operating and overhead expenses are expenses you have in the day-to-day operation of your business. These expenses include management, administration, utilities, and other support functions of your NPO, commercial leases, equipment rentals, and office supplies such as paper and pens.

You may claim an ITC equal to 100% of the GST/HST paid or payable by you for a particular operating expense (property or service) if all or substantially all (generally 90% or more) of your consumption or use of that property or service is (or is intended to be) in the course of your commercial activities (in other words, to make taxable supplies for consideration) and all the other ITC criteria are satisfied.

You **cannot** claim an ITC for any of the GST/HST paid or payable by you for a particular operating expense (property or service) if all or substantially all of your consumption or use of that property or service is (or is intended to be) otherwise than in the course of your commercial activities (for example, for consumption or use in making exempt supplies).

If you acquire a particular operating expense for consumption or use partly (more than 10%) to make taxable supplies and partly (more than 10%) to make exempt supplies, you must apportion the property or service. You have to determine the extent (in other words, the percentage) that the property or service was acquired for use in your commercial activities, and you may be eligible to claim an ITC to that extent. You may be eligible to claim a public service bodies’ rebate (PSB rebate) for a portion of the remaining tax on eligible purchases and expenses.

Example

You own a two-story building in Manitoba and operate a retail store on the first floor (a commercial activity) and use the upper floor in your exempt activity. Your utility bill for the entire building is \$200 a month plus the GST. If you determine that 60% of the utility bill is for the store and 40% is for the upper floor, you may be eligible to claim an ITC

for 60% of the GST you paid on your utility bill and you may be able to claim a PSB rebate for part of the balance if you are a qualifying NPO.

The method you use to determine the percentage that an operating expense is for use in your commercial activities has to be fair and reasonable and be used consistently throughout the year. For example, a method commonly used to allocate office rent is the number of square metres of space used in commercial activities relative to the total space of the building.

Example

The mandate of your NPO is to promote the arts in your local community in Nova Scotia. You develop a program consisting of supervised instructional classes in which children (14 years of age and under) learn water paint and oil paint techniques. You also sell arts and crafts. The same facility is used for both activities. Although you are a small supplier, you decided to register for the GST/HST. Your revenues and expenses are as follows:

Revenues	Amounts	HST
Sale of arts and crafts (commercial activity).....	\$ 30,000	\$ 4,500
Art lessons to children (exempt activity)	<u>\$ 10,000</u>	<u>0</u>
Total.....	<u>\$ 40,000</u>	<u>\$ 4,500</u>
Expenses		
Supplies for art lessons	\$ 1,000	\$ 150
Merchandise for resale.....	\$ 20,000	\$ 3,000
Utilities	\$ 1,500	\$ 225
Office supplies	\$ 500	\$ 75
Rent	<u>\$ 7,000</u>	<u>\$ 1,050</u>
Total.....	<u>\$ 30,000</u>	<u>\$ 4,500</u>

The supplies you bought for your art lessons should be attributed exclusively to your exempt activity. No ITCs can be claimed for those expenses.

The merchandise you bought for resale should be attributed exclusively to your commercial activity. The full amount of the HST for those expenses can generally be claimed as an ITC.

The other expenses (utilities, office supplies, and rent) **cannot** be attributed to any particular activity. You have to apportion them using a fair and reasonable ITC allocation method.

For example, if you determine, using a fair and reasonable ITC allocation method, that 75% of these expenses are for use in your commercial activity, you can generally claim 75% of the HST paid or payable on them as an ITC.

Your ITCs are calculated as follows:

Utilities	\$ 225	×	75% =	\$ 168.75
Office supplies	\$ 75	×	75% =	\$ 56.25
Rent	\$ 1,050	×	75% =	\$ 787.50
Merchandise for resale	\$ 3,000	×	100% =	<u>\$3,000.00</u>
Total ITCs claimed				<u>\$4,012.50</u>

You may be able to claim a PSB rebate for the GST/HST paid or payable on the expenses that you could not claim as ITCs. See “Public service bodies’ rebate” on page 17.

Capital property

Special rules exist for calculating ITCs for capital property. For GST/HST purposes, capital property is based on the meaning of the term for income tax purposes and includes:

- any depreciable property that is or would be eligible for a capital cost allowance deduction for income tax purposes
- any property, other than depreciable property, the sale of which would result in a capital gain or loss for income tax purposes

For GST/HST purposes, capital property does not include property in Classes 12, 14, 14.1, or 44 of Schedule II to the Income Tax Regulations.

There are two types of capital property - capital personal property and capital real property. Computers, photocopiers, office furniture, cash registers, equipment, and machinery are examples of capital personal property. Land and buildings are examples of capital real property.

For an NPO and other public service bodies that are **not** financial institutions, the following rule (known as the primary use rule) applies for **both** types of capital property:

- If the commercial use is more than 50%, you can claim a full ITC.
- If the commercial use is 50% or less, you **cannot** claim an ITC. However, you may be able to claim a PSB rebate for the GST/HST paid or payable on the acquisition of the property. See “Public service bodies’ rebate” on page 17.

Example

You bought a computer for \$2,000 plus the GST. You use the computer 60% in your commercial activities and 40% in your exempt activities. Since the computer is used more than 50% in your commercial activities, you can claim the full amount of the GST paid as an ITC.

Exception

You may elect to have certain exempt supplies of real property treated as taxable. If you file this election for real property, do **not** use the primary use rule when claiming ITCs for that property. Instead, calculate ITCs in the same way as you calculate ITCs for general operating and overhead expenses, as explained on page 13. For more information, see “Election for real property of a public service body” on page 23.

Change-in-use rule

The use of the property may change over time. You have to apply the change-in-use rules in the following situations:

- Your capital property that was used **more than 50%** in commercial activities is now used **50% or less** in commercial activities.
- Your capital property that was used **50% or less** in commercial activities is now used **more than 50%** in commercial activities.

If you change the use, for example, from **50% or less** in commercial activities to **more than 50%** in commercial activities, you can claim an ITC to recover all or part of the GST/HST you paid when you last acquired the property. However, if you change the use from **more than 50%** in commercial activities to **50% or less** in commercial activities, you have to repay all or part of the tax you claimed as an ITC when you last acquired the property. In each situation, you have to determine the **basic tax content** of the property when the change occurs.

Exception

If you filed an election to treat your exempt supplies of certain real property as taxable, different change in use rules apply. For more information, see “Election for real property of a public service body” on page 23.

Calculating the basic tax content

The following basic tax content formula in its simplified form can be used by most registrants:

$$(A - B) \times C$$

where:

- A is the GST/HST payable for your last acquisition of the property and for later improvements you made to the property
- B is any rebate or refund you were entitled to claim (or would have been entitled to claim if you had not been entitled to claim an ITC) for the GST/HST payable for your last acquisition of the property and for later improvements you made to it but not including ITCs you were entitled to claim
- C is the lesser of:
 - 1
 - the fair market value of the property at the time of the change in use **divided** by the total cost (not including the GST/HST) for your last acquisition of the property and for later improvements you made to it

This formula may not apply to an NPO that has been determined or designated to be a municipality. For additional information refer to Guide RC4049, GST/HST Information for Municipalities.

Changing the use to more than 50% in commercial activities

When you buy capital personal property for use 50% or less in your commercial activities, you cannot claim ITCs to recover the GST/HST paid or payable. However, if you later change the use of the property to more than 50% in your commercial activities, we consider you to have purchased the property and paid the GST/HST at that time. This means that you can claim an ITC, equal to the basic tax content of the property at the time of the change in use, by including this amount in your **line 108** calculation if you are filing electronically or on **line 106** if you are filing a paper GST/HST return.

Note

If you later change the use again and begin to use the property 50% or less in your commercial activities, you may have to pay all or part of the GST/HST that you claimed, or were entitled to claim, as an ITC. For more information, see “Changing the use to 50% or less in commercial activities” on page 16.

Example

You are a qualifying NPO in Alberta. On January 2, 2022, you bought a computer for use 60% in your exempt activities and 40% in your commercial activities. At that time, you could **not** claim an ITC since you were not using it more than 50% in commercial activities, but you claimed a PSB rebate for 50% of the GST paid.

Calculation for the PSB rebate

Cost of the computer:	\$2,000
GST paid:	\$100
Rebate claimed:	\$50

At the end of the year, you change the use of the computer to 60% in commercial activities. As you are now using the computer more than 50% in commercial activities, you can claim an ITC to recover part of the GST you paid in 2022, based on the basic tax content.

The fair market value of the computer is \$1,000 at the time of the change in use. You calculate the basic tax content of the computer as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= [(\$100 - \$50) \times \$1,000] \div \$2,000 \\ &= \$25\end{aligned}$$

You can claim an ITC of \$25 by including this amount on **line 106** of your GST/HST return or by including it in the **line 108** calculation if you are filing electronically.

Changing the use to 50% or less in commercial activities

When you buy capital personal property for use more than 50% in your commercial activities, you may be eligible to claim an ITC to recover the GST/HST you paid, or that was payable, on your purchase. However, if you change the use of the property from more than 50% in your commercial activities to 50% or less in your commercial activities, you are considered to have sold the property and to have collected the GST/HST on that later sale.

You have to include the GST/HST you are considered to have collected in your net tax calculation for the reporting period in which the change in use occurred.

Note

There is no entitlement to the PSB rebate for this change in use since the basic tax content formula takes this rebate into account.

If you later change the use again and begin to use the property **more than 50%** in your commercial activities, you may be entitled to claim an ITC. For more information, see “Changing the use to more than 50% in commercial activities” on page 15.

Example

You are a qualifying NPO and, you bought a building in Manitoba for use 60% in your commercial activities. The election for real property of a public service body is **not** in effect for the property. Since you were using the building more than 50% in commercial activities, you were entitled to, and you claimed, a full ITC for the tax you paid on your purchase of the building.

Cost of the building:	\$300,000
GST paid:	\$15,000
ITC claimed:	\$15,000
Rebate claimed:	\$0

Had you not been entitled to claim an ITC, you would have qualified for the PSB rebate as a qualifying NPO.

This year, you change the use of the building and you are now using it only 20% in your commercial activities. Since you are no longer using the building **more than 50%** in commercial activities, you have to account for the tax in your net tax calculation based on the basic tax content of the property at the time of the change in use.

No improvements have been made to the property since you acquired it. The fair market value of the building is \$400,000 at the time of the change in use. You calculate the amount of the basic tax content as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$15,000 - \$7,500) \times 1 \text{ (maximum)} \\ &= \$7,500\end{aligned}$$

Note

Element B of the calculation is equal to \$7,500 ($\$15,000 \times 50\%$ rebate of the GST) because, in this example, you would have been entitled to claim a 50% PSB rebate for the GST you paid when you purchased the property had you not been entitled to claim a full ITC for that tax.

If you are resident in a participating province, and you were entitled (or would have been entitled if you had not been entitled to claim an ITC) to claim a PSB rebate for some of the HST payable for the property or improvements to it, element B would include the total PSB rebate you were, or would have been, entitled to claim including **both** the federal and provincial parts of the rebate.

Since the basic tax content calculation already takes into account the amount of the PSB rebate you would have been entitled to claim, the amount of tax you have to pay is reduced. Therefore, you are not entitled to claim a PSB rebate for the tax you have to pay on your change-in-use of the property.

Since the basic tax content of the property at the time of the change in use is \$7,500, you have to add that amount in determining your net tax by including it in your **line 105** calculation if you are filing your return electronically (or on **line 103** if you are filing a paper GST/HST return) for the reporting period in which the change in use occurred.

Simplified method for claiming ITCs

The **simplified method for claiming ITCs** is another way for **eligible registrants** to calculate their ITCs, when filling out their GST/HST return using the regular method of filing.

When you use the simplified method for claiming ITCs, you do **not** have to show the GST/HST separately in your records. Instead, total the amount of your taxable purchases for which you can claim ITCs. You still have to keep the usual documents to support your ITC claims in case we ask to see them.

As of January 1, 2013, you are **eligible** to use the simplified method for claiming ITCs if you meet **all** of the following conditions:

- Your annual worldwide revenues from taxable property and services (including those of your associates) are \$1 million or less in your last fiscal year.
- Your total taxable supplies (including those of your associates) for all preceding fiscal quarters of the **current** fiscal year must also be \$1 million or less. These limits do **not** include goodwill, zero-rated financial services, or sales of capital real property.
- You have \$4 million or less in taxable purchases made in Canada in your last fiscal year. The \$4 million purchase limit does **not** include zero-rated purchases, but it does include purchases imported into Canada or brought into a participating province.

- As a public service body, you reasonably expect that your taxable purchases in the current fiscal year will be \$4 million or less.

For more information, see Guide RC4022.

Public service bodies' rebate

If you are a qualifying NPO, you may be eligible for a PSB rebate of 50% of the GST and the federal part of the HST paid or payable on eligible purchases and expenses. If you are eligible to claim this rebate, enter the amount on **line 306** of Part D of your rebate application (Form GST66, Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund).

If you are resident in a participating province, you may also be eligible for a PSB rebate for some of the **provincial part** of the HST.

If you are eligible to claim this rebate fill out provincial schedule (Form RC7066-SCH, Provincial Schedule – GST/HST Public Service Bodies' Rebate) and attach it to your rebate application.

For more information, see Guide RC4034, GST/HST Public Service Bodies' Rebate.

Rebate for Non-Profit Organizations that provide municipal services

As an NPO that receives municipal designation for the purposes of the PSB rebate, you may be eligible to claim a **100%** rebate of the GST and the **federal part** of the HST paid or payable on eligible purchases and expenses that relate to your designated activities for which you could **not** claim input tax credits, or any other rebate, refund, or remission.

You can claim this amount by filling out **line 300** of Part D of Form GST66. You can file this application with your GST/HST return either by paper, or electronically by using our online services either through GST/HST NETFILE at canada.ca/gst-hst-netfile, or through My Business Account at canada.ca/my-cra-business-account or Represent a Client at canada.ca/taxes-representatives.

If you are a non registrant, you can file your rebate application by paper or electronically by using our online services My Business Account at canada.ca/my-cra-business-account or Represent a Client at canada.ca/taxes-representatives. If you file this rebate application electronically, you must also file any associated provincial schedule electronically.

You remain eligible to claim the PSB rebate at the applicable rate on your other activities.

If you are an NPO resident in a participating province and you receive municipal designation for the purposes of the PSB rebate, you may be eligible to claim a municipal rebate for some of the **provincial part** of the HST paid or payable on eligible purchases and expenses that relate to your designated activities for which you could **not** claim input tax credits, or any other rebate, refund, or remission. If you are eligible to claim this rebate, fill out the provincial schedule (Form RC7066-SCH, Provincial Schedule –

GST/HST Public Service Bodies' Rebate) and attach it to your rebate application.

For more information, see Guide RC4049, GST/HST Information for Municipalities.

Property or services removed from a participating province

Any amounts claimed (or entitled to be claimed) as a rebate on Form GST495, Rebate Application for Provincial Part of Harmonized Sales Tax (HST), or Form GST189, General Application for GST/HST Rebates, must be deducted from the HST paid or payable by the public service body prior to calculating its PSB rebate.

Tangible personal property

You may be able to claim a rebate of the **provincial part** of the HST you paid on tangible personal property (goods) that you bought in a participating province and removed from the province. A rebate of the amount is not available to the extent that you may otherwise recover the amount, for example by claiming an ITC for the amount.

To qualify for the rebate of the **provincial part** of the HST that you paid on eligible goods that you bought in a participating province, you have to meet **all** of the following conditions:

- you are a resident of Canada
- you bought the goods for consumption, use, or supply exclusively (generally 90% or more) outside the participating province
- you removed the goods from the participating province and moved them to a non-participating province or a participating province with a lower HST rate **no later** than 30 days after they were delivered to you (excluding any amount of time that the goods were in storage)
- you paid **any** applicable provincial taxes of the non-participating province or other area of Canada to which you brought the goods
- you file the rebate application **no later** than one year after the day you remove the goods from the participating province
- each receipt for an eligible good shows an amount of tax that can be rebated of at least \$5
- the total amount of tax that can be rebated is at least \$25

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

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

- excisable goods such as liquor
- most gasoline, diesel fuel, and certain other types of fuel

To apply for this rebate, use Form GST495, Rebate Application for Provincial Part of Harmonized Sales Tax (HST). The form describes the documentation that is required to support your rebate claim.

Intangible personal property and services

You may be eligible for a rebate of the **provincial part** of the HST payable on intangible personal property (such as goodwill, contractual rights, trademarks, and intellectual property) or services you acquire in a participating province for consumption, use, or supply, in whole or in part, in non-participating provinces or in participating provinces with lower HST rates. A rebate of the amount is not available to the extent that you may otherwise recover the amount, for example by claiming an ITC for the amount.

Generally, the rebate is calculated by multiplying the eligible amount of the **provincial part** of the HST payable by the percentage to which the intangible personal property or service is acquired for consumption, use, or supply outside the participating province.

To qualify for the rebate of the **provincial part** of the HST on intangible personal property or a service you acquired in a participating province, you have to meet **all** of the following conditions:

- you are a resident of Canada
- the intangible personal property or service is acquired for consumption, use, or supply significantly (10% or more) in non-participating provinces or participating provinces with lower HST rates
- you file the rebate application **no later** than one year after the day the tax became payable
- each receipt for eligible intangible personal property or eligible service shows an amount of tax that can be rebated of at least \$5
- the total amount of tax that can be rebated is at least \$25

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

To apply for the rebate, use Form GST189, General Application for GST/HST Rebates. The form describes the documentation that is required to support your rebate claim.

For more information on these rebates, see Guide RC4033, General Application for GST/HST Rebates.

Simplified accounting methods

This section applies only to NPOs that are also GST/HST registrants.

Special quick method of accounting for qualifying non-profit organizations

The **special quick method** is a simplified accounting option available to a **qualifying** NPO to help them calculate their net tax for GST/HST purposes. If you are **not** a qualifying NPO, you may be entitled to use the quick method of accounting available to other businesses (see “Quick method of accounting for other non-profit organizations” page 19).

This special quick 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.

Note

Certain supplies of property and services are **not** included in the special quick method calculation. For more information, go to our webpage “Special quick method of accounting for public service bodies”.

When you use the special quick method, you still collect the GST/HST on the property 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 applicable rate 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. You can claim ITCs on certain items only.

Note

Whether the special quick method will be more beneficial for you to use than the regular method depends on your specific situation.

The remittance rates vary depending on whether the sales were made in a participating province or a non-participating province and where you are located.

For more information, go to our webpage “Special quick method of accounting for public service bodies.”

The special quick method remittance rates

The remittance rates for qualifying NPOs using the special quick method are listed on our website. For information on the different remittance rates, go to “Special quick method of accounting for public service bodies” and select “Find out what are the special quick method remittance rates.”

How to elect to use the special quick method

You can use the special quick method whether you file GST/HST returns monthly, quarterly, or annually. To elect to use the special quick method, send us a completed Form GST287, Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting.

You can make this election at the start of any reporting period. You can keep using it as long as you remain eligible. For more information on the special quick method, go to our webpage “Special quick method of accounting for public service bodies.”

Note

Once you decide to use the special quick method, you have to use it for **at least** one year. To revoke the election, send a completed Form GST287 to your tax services office.

Using the special quick method does not affect the qualifying NPO's entitlement to a public service bodies' rebate. A qualifying NPO that has elected to use this method is entitled to claim a rebate for the GST or

the federal part of the HST paid or payable on all eligible purchases made during the claim period for which it cannot claim ITCs. Also, a qualifying NPO using this method that qualifies for a rebate for the provincial part of the HST will claim it in the usual way.

For more information on the special quick method of accounting, go to our webpage “Special quick method of accounting for public service bodies.”

Quick method of accounting for other non-profit organizations

The **quick method** is another accounting option available to help small businesses calculate their net tax for GST/HST purposes. This method reduces paperwork and makes it easier to calculate GST/HST remittances and file GST/HST returns because it eliminates the need to report the actual GST/HST paid or payable on most purchases.

If you are an NPO (and **not** a qualified NPO) you **cannot** use the special quick method for public service bodies. However, you may be entitled to use the quick method of accounting.

You can use the quick method if revenues from annual worldwide taxable supplies and those of your associates, including the GST/HST and zero-rated supplies, are **not** more than \$400,000 for **either** the period consisting of the first four consecutive fiscal quarters out of your last five fiscal quarters, or the period consisting of the last four fiscal quarters out of your last five fiscal quarters. When you calculate your annual worldwide taxable supplies, exclude supplies of financial services and sales of real property, capital property, and eligible capital property (including goodwill).

The quick method remittance rates apply only to supplies you make in the usual course of business, on which you must collect the GST/HST.

For supplies you make outside the usual course of business, such as real estate sales or sales of used capital goods eligible for a capital cost allowance for income tax purposes, you have to include the GST/HST charged in your net tax calculation rather than using the quick method remittance rate. Do **not** include proceeds from selling your business assets in the sales figure you use for your quick method calculation.

When you use the quick method, you **cannot** claim ITCs on your day-to-day operating expenses and inventory purchases. However, you can claim ITCs for purchases of land and purchases of property that are eligible for capital cost allowance under the Income Tax Act. This includes buildings, computers, vehicles, other large equipment, and machinery. You can claim these credits when you fill out your GST/HST return. In addition, if you sell capital assets, you have to remit the full GST/HST and not the quick method percentage.

Credit of 1%

You are also entitled to a 1% credit on the first \$30,000 of your eligible supplies (including the GST/HST) on which you must collect the GST/HST in each fiscal year. To qualify for the 1% credit, you have to use the quick method

at the beginning of your fiscal year or, if you are a new GST/HST registrant, on the day you became a registrant.

Quick method remittance rates

The remittance rates for other NPOs using the quick method are listed in Guide RC4058, Quick Method of Accounting for GST/HST.

How to apply for the quick method

You can elect to use the quick method by using our online services My Business Account at canada.ca/my-cra-business-account or Represent a Client at canada.ca/taxes-representatives, or by filling out and sending a Form GST74, Election and Revocation of an Election to Use the Quick Method of Accounting to your tax services office.

Note

If you decide to use the quick method, you have to use it for **at least** one year. To revoke the election, send a completed Form GST74, Election and Revocation of an Election to Use the Quick Method of Accounting, to your tax services office.

For more information on the quick method of accounting, see Guide RC4058, Quick Method of Accounting for GST/HST.

Real Property

This section explains the GST/HST rules for sales, leases and other types of supplies of real property when made by an NPO. It summarizes the general rules for claiming ITCs and the special election available to treat certain exempt supplies of real property as taxable supplies. It also explains the change-in-use rules that apply to real property and the special self-supply rules for subsidized housing.

Taxable sales and leases

Generally, most sales and leases of real property made by an NPO are exempt from the GST/HST.

However, if your NPO makes the following supplies of real property, the supplies are subject to the GST/HST:

- sales of new or substantially renovated housing
- sales of used housing if you are a builder of the housing for GST/HST purposes and you claimed ITCs on your last acquisition of the housing, or on **any** improvements made to the housing
- sales of new or substantially renovated housing that you are considered to have made (self-supplies). For example, this may occur if you are a builder of the housing for GST/HST purposes and you first give possession of the housing, or a unit in it, to an individual for use as a place of residence
- most sales of other real property that you are considered to have made (deemed supplies). For example, when there is a change in use of the property from use **primarily** in commercial activities to use **50% or less** in commercial activities (see “Changing the use to 50% or less in commercial activities” on page 16)

- sales of real property to an individual or a personal trust. However, if there is a structure on the property that you used as an office, or in commercial or exempt activities, the sale of the property is exempt, as long as the other exceptions in this list do not apply
- sales of real property that you used **more than 50%** in your commercial activities immediately before the time of the sale
- leases of short-term accommodation (less than one month) unless the charge for the accommodation is \$20 or less per day of occupancy, or the accommodation is provided in the course of an activity to relieve the poverty, suffering, or distress of individuals, and is not fundraising
- leases of real property (other than short-term accommodation) when continuous possession or use of the property provided under the lease is for a period of less than one month and the supply is made in the course of a business carried on by the NPO
- licence to use real property (other than short-term accommodation) when the supply is made in the course of a business of the NPO (such as evening rentals of a banquet facility or the rental of an ice rink to a hockey club every Monday night)
- lease or licence of a parking space in the course of a business carried on by the organization (other than the long-term lease of a parking space by a landlord to a residential tenant when the parking space forms part of the housing, or is supplied along with the housing, that the residential tenant is leasing from the landlord). For more information, see GST/HST Notice 285 – Application of GST/HST to Supplies of Parking by Charities and Public Sector Bodies
- supply of real property that the NPO has seized or repossessed, unless the supply of the property is specifically exempt. For example, if the organization seized or repossessed used housing and sells it, the sale will be exempt as long as the organization is not a builder of the housing and they did not claim any ITCs for the acquisition of the housing or for an improvement to the housing since it was last acquired
- certain supplies of designated municipal property if you are a designated municipality and if no other exemptions apply (for example, for housing or for free supplies)
- exempt supplies of real property that the NPO chooses to treat as taxable by filing an election with us as long as no other exemption applies (for example, housing)

For more information, see “Election for real property of a public service body” on page 23.

Rebates for new housing

The following rebates may be available for new housing:

- GST/HST new housing rebate
- provincial new housing rebates
- GST/HST new residential rental property rebate
- Ontario new residential rental property rebate

For more information, see:

- Guide RC4028, GST/HST New Housing Rebate
- Guide RC4231, GST/HST New Residential Rental Property Rebate

Who remits the tax for a taxable sale of real property – Vendor or purchaser?

If you make a taxable sale of real property, you generally have to charge and collect the tax on the sale, **even if you are not registered for the GST/HST**. However, in some cases it is the purchaser who has to remit the tax directly to us instead of paying it to you.

Generally, if you are a vendor, you do **not** collect the tax from the purchaser when you make a taxable sale of real property if:

- the purchaser is registered for the GST/HST. This rule does not apply if you make a taxable sale to an individual who is registered for the GST/HST of housing or a cemetery plot or place of burial, entombment, or deposit of human remains or ashes
- you are a non-resident of Canada – This rule still applies if you are considered a resident for only certain activities you carry on through a permanent establishment in Canada
- you and the purchaser have made a type 2 election on Form GST22, Real Property – Election to Make Certain Sales Taxable. For more information, see the election form

Note

These rules only apply to taxable sales of real property. They do **not** apply, for example, if you lease real property or supply it in any other way.

If you do not have to collect the tax on your taxable sale of real property because **one** of these conditions applies, the purchaser has to pay **any** tax due on the purchase directly to us.

If the vendor has to collect and remit the tax

If you are a vendor who has to collect the tax due on your taxable sale of real property, including a house, account for the tax as follows:

- If you are registered for the GST/HST, include the GST/HST collectible on your regular GST/HST return for the reporting period during which the GST/HST became collectible (in your **line 105** calculation if you are filing your return electronically or on **line 103** if you are filing a paper GST/HST return).
- If you are **not** registered for the GST/HST, report the tax collectible on **line 103** of Form GST62, Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized). File this return by the end of the month following the month in which the tax became collectible and remit the net tax due with that return.

Note

Only a Form GST62 in the **pre-printed format** may be used to file your return or make a payment at your financial institution. To order a pre-printed Form GST62, go to canada.ca/get-cra-forms.

If the purchaser has to pay the tax directly to us

If you are a purchaser who has to pay the tax on the purchase of real property directly to us, account for the tax as follows:

- If you are a GST/HST registrant and you will use or supply the real property:
 - **more than 50%** in your commercial activities, report the tax due on **line 205** (the GST/HST due on the acquisition of taxable real property) of your GST/HST return for the reporting period in which the tax became payable and remit any positive amount of tax owing for that return
 - **50% or less** in your commercial activities, report the tax due on Form GST60, GST/HST Return for Purchase of Real Property or Carbon Emission Allowances. File this return by the end of the month following the month in which the tax became payable and pay the tax due with that return
- If you are **not** a GST/HST registrant, report the tax due on the acquisition of taxable real property on Form GST60, GST/HST Return for Purchase of Real Property or Carbon Emission Allowances. File this return by the end of the month following the month in which the tax became payable and pay the tax due with that return.

Note

Form GST60, GST/HST Return for Purchase of Real Property or Carbon Emission Allowances is available on our website at canada.ca/gst-hst-pub. You cannot file Form GST60 electronically.

ITCs for real property

Generally, calculating ITCs on purchases of capital real property is the same as for calculating ITCs on purchases of other capital property (the primary use rule):

- If you intend to use the property more than 50% in commercial activities, you **can** claim a full ITC.
- If you intend to use the property 50% or less in commercial activities, you **cannot** claim an ITC.

It is possible that the use of the real property will change over time. If the use of the real property changes from use 50% or less in commercial activities to more than 50% in commercial activities, you may be eligible to claim an ITC at the time of the change in use. On the other hand, if the use changes from more than 50% in commercial activities to 50% or less in commercial activities, you may have to pay back part of the ITCs you claimed earlier. For more information, see “Change-in-use rule” on page 15.

Exception

If you filed an election to treat your exempt supplies of certain real property as taxable, you are required to claim ITCs for the GST/HST paid or payable on that property based on the extent of its use in commercial activities, instead of using the primary use rule for that property. For more information, see “Election for real property of a public service body” on page 23.

You can claim ITCs for other expenses related to real property such as maintenance and utilities in the same way that you calculate ITCs for general operating and overhead expenses, as explained on page 13.

Subsidized housing and self-supply

The following rules apply to an NPO that receive government funding to build housing (or an addition to housing) where at least 10% of the residential units in the housing are intended to be leased to seniors, youths, students, or to individuals with a disability, or who are in distress, in need of assistance, or have limited financial resources.

For the purposes of the special rules for subsidized housing, **government funding** means an amount of money paid or payable by a grantor (or paid or payable by another organization that received the money from a grantor) to a builder of the housing (or addition) for the purpose of making residential units available to the individuals mentioned above. Government funding can include a forgivable loan from a grantor. The funding must be measurable and identified in your financial statements as government funding.

A **grantor** can be a federal or provincial government, a municipality, or an Indian band. Corporations controlled by federal or provincial governments, municipalities or Indian bands (and bodies established by such persons or corporations) will also be considered grantors if **one** of the main purposes of the corporation or body is to fund charitable or non-profit endeavours. However, federal and provincial Crown corporations and municipal corporations, all or substantially all (90% or more) of whose activities are commercial activities or the supply of financial services or any combination thereof, are not grantors.

During the construction phase, you can register for the GST/HST and claim ITCs for the property and services you buy that relate to the construction of the housing.

You are considered to have made and received a taxable sale (self-supply) of the housing on the later of:

- the day construction is substantially completed
- the day you first give possession or use of a unit in the housing to an individual under a lease, licence, or similar arrangement entered into for its use as a place of residence

The amount of GST/HST that you are considered to have collected and paid on the self-supply of the housing is equal to the **greater** of the following amounts:

- the amount of GST/HST calculated on the fair market value of the housing at the time of the self-supply
- the total amount of all of the GST/HST that **would have been payable** on the acquisition of the land, the construction of the building, and any other improvement to the property (collectively, the housing inputs) if the GST/HST rate that applied to those housing inputs had been the same GST/HST rate that applies to the self-supply of the housing

This rule for determining the amount of GST/HST that you are considered to have collected and paid applies to any self-supply of housing that occurs **on or after April 1, 2013**. However, if the construction or substantial renovation of the housing began **on or before April 8, 2014**, you can choose to continue to use the former rule that applied **before April 1, 2013**, whichever rule is more to your advantage.

For more information, see Guide RC4052, GST/HST Information for the Home Construction Industry.

If you constructed the housing to make exempt supplies of long-term residential rents, you cannot claim an ITC for the tax you have to account for on the self-supply. However, you may be entitled to claim a PSB rebate for that tax if you are a qualifying NPO and you meet **all** of the other rebate conditions. Depending on the type of housing you provide, you may be eligible to use the municipality rebate rate. For more information, see Guide RC4034, GST/HST Public Service Bodies' Rebate. In some cases, you may be entitled to claim the GST/HST new residential rental property rebate. However, you will not be entitled to claim both rebates. For more information, see Guide RC4231, GST/HST New Residential Rental Property Rebate.

Example

You are a corporation in Saskatchewan, and you are a non-registrant for GST/HST purposes. You construct multiple unit housing for which you receive government funding. You paid \$10,000 GST on the purchase of the land and \$20,000 GST on the construction of the building. At least 10% of the units in the housing will be leased to seniors.

The construction of the housing is substantially completed on August 11, 2022, and you first give possession or use of a unit in the housing on September 5, 2022, to an individual who will live in the unit as their place of residence. As the later of these two dates is the day you first gave possession or use of a unit in the housing, you are considered to have made a taxable sale (self-supply) of the multiple unit housing on September 5, 2022.

You calculate that the GST paid or payable on the purchase of the land and on the construction of the building and other improvements you made to the property is \$30,000. As the fair market value of the housing (including the related land) on September 5, 2022, is determined to be \$550,000, the GST calculated on the fair market value of the property is \$27,500 (\$550,000 × 5%).

Since the GST paid on your costs is greater than the GST calculated on the fair market value of the housing, you are considered to have paid and collected, and you have to account for, \$30,000 GST. Since you are a non-registrant, you do this by filing Form GST62, Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized), by the end of the month following the month in which the self-supply occurred. As the self-supply in this case occurred on September 5, 2022, you have to file Form GST62 and send your payment by October 31, 2022.

Also, as a non-registrant, you could not claim ITCs for the tax you paid to purchase the land and construct the housing. Since you are considered to have made a taxable sale of the housing (self-supply), you are now entitled to claim a rebate to recover the tax that you were previously unable to recover on the purchase of the land and the construction costs using Form GST189, General Application for GST/HST Rebates.

How do you remit the tax on the self-supply?

If you are a GST/HST registrant, you have to include the tax due on the self-supply in your **line 105** calculation if you are filing your return electronically (or on **line 103** if you are filing a paper GST/HST return) for the reporting period during which you are considered to have made the self-supply of the subsidized housing. You have to remit any positive amount of net tax due with that return.

If you are not a GST/HST registrant, you have to report the GST/HST on **line 103** of Form GST62 and remit the tax due with that return by the end of the month after the month in which you are considered to have made the self-supply of the subsidized housing. For information on a rebate that you may be entitled to claim for the GST/HST you paid on construction costs that you could not previously recover, see "Are you a non-registrant?" below.

Note

Form GST62 is only available in a pre-printed format. You can order it by going to canada.ca/get-cra-forms.

Are you a non-registrant?

If you are a non-registrant, you **cannot** claim ITCs to recover any of the GST/HST paid or payable on your costs to build or substantially renovate the subsidized housing (or addition). If you are a qualifying NPO, although you may have been entitled to claim a PSB rebate of that tax, you are not able to recover all of the tax payable on your construction or renovation costs.

In this case, you are generally entitled to claim a rebate to recover the tax you paid on the costs to build the housing (or addition) that you could not previously recover since you are considered to have made a self-supply of the subsidized housing and have to account for the tax on that self-supply. For more information on the rebate for a taxable sale of real property by a non-registrant, see Guide RC4033, General Application for GST/HST Rebates, and Form GST189, General Application for GST/HST Rebates.

Example

You are an NPO in Alberta and you are not a GST/HST registrant. You construct multiple-unit housing to make long-term residential rentals to seniors and for which you receive government funding. You paid \$8,000 GST on the purchase of the land and \$15,000 GST on the construction of the building. You are claiming a PSB rebate to recover that tax.

The construction of the housing is substantially completed on June 10, 2023, but you first gave possession of a unit in the housing to an individual to live in on May 24, 2023. As the later of these two dates is the day you substantially completed the multiple-unit housing, you are considered to have made a self-supply of the housing on June 10, 2023.

You calculate that the tax you paid on the purchase of the land, and to construct the housing, is greater than the tax calculated on the fair market value of the housing on June 10, 2023. Therefore, the amount of GST that you are considered to have paid and collected is equal to the amount of GST you paid on the purchase of the land, the construction of the building, and **any** other improvements you made to the property.

You report this amount of tax on **line 103** of Form GST62. You file that form and remit the tax by July 31, 2023.

As a non-registrant, you could not claim ITCs for the tax you paid to purchase the land and to construct the housing, and you may have been able to recover a portion of that tax by claiming a PSB rebate. Since you are considered to have made a taxable sale of the housing, you are now entitled to claim a rebate to recover the tax that you were previously unable to recover on the purchase of the land and the construction costs using Form GST189.

If you are a qualifying NPO and you meet **all** of the other conditions, you may also be entitled to claim a PSB rebate for the tax you had to account for on the self-supply. For more information, see Guide RC4034, GST/HST Public Service Bodies' Rebate. In some cases, you may be entitled to claim the GST/HST new residential rental property rebate. However, you will **not** be entitled to claim both rebates. For more information, see Guide RC4231, GST/HST New Residential Rental Property Rebate.

Election for real property of a public service body

As an NPO, you can elect, on a property-by-property basis, to treat certain exempt sales and leases of real property as taxable supplies. This election can apply to the following real property:

- capital real property
- real property that you hold in inventory for the purpose of supplying it
- real property that you acquired by way of lease, licence, or similar arrangement to supply all of that property by way of lease, licence, or similar arrangement or for the purpose of assigning the arrangement

This election may be available whether you are a GST/HST registrant or not. For more information, see 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.

Note

For the purposes of this election, **real property** generally means the entire estate or interest in the real property (including a leasehold interest) held by the NPO and that is contained within a single **legal description** or **leasehold interest** (which includes the land and all structures and other improvements that are fixtures to the land). When the real property was acquired by way of a licence, the real property is the entire entitlement to use that property under the licence.

Effect of the election

When you make this election for real property, a supply of the property that would normally be exempt will now generally be treated as taxable and you may have to charge the GST/HST. However, certain supplies of the real property will remain exempt even when the election is in effect, for example, supplies of long-term residential rental accommodation.

As a GST/HST registrant, once the election is in effect you may also be entitled to claim ITCs for the GST/HST paid or payable for the property. For example, if you purchased or leased the property, you may be entitled to claim ITCs for the tax paid or payable on the purchase or on your lease payments and you may also be entitled to claim ITCs for the tax paid or payable on purchases and expenses that are related to the property, such as maintenance and utilities.

Note

The following sections discuss the effect of the election if you are already a GST/HST registrant when you make the election. If you become a registrant on the same day the election takes effect, see Form GST26 for information on the effect of this election and claiming ITCs upon becoming a registrant.

Election effective the day of acquisition

If the election becomes effective on the same day that you acquire the real property, and you were a GST/HST registrant before that day, you claim your ITC for the tax paid or payable on the acquisition of the property based on the extent of use of the property in your commercial activities (instead of the primary use rule) as long as the property is used more than 10% in your commercial activities.

Example

You are an NPO that is registered for the GST/HST. You buy a four-storey building (including the land) and you paid the GST/HST on your purchase. You will supply the building, or parts of the building, by way of lease. You will **not** be making supplies of accommodation and the leases will be exempt from the GST/HST.

Since the entire building will be used only for exempt activities, you **cannot** claim an ITC to recover the GST/HST you paid on your purchase of the building or on **any** purchases or expenses related to the building.

However, if you file Form GST26 and make the election effective on the day you acquire the building, you will charge the GST/HST on the lease payments you charge your tenants and you will be entitled to claim an ITC for the GST/HST you paid on your purchase of the building. You will also be entitled to claim ITCs to recover the GST/HST paid on utilities and maintenance that relate to the building.

Election effective after the day of acquisition

If the election becomes effective after the day you acquire the real property, and you were a GST/HST registrant before the election took effect, the following rules apply:

- If you acquired the real property by way of lease, licence or similar arrangement, you are entitled to claim ITCs for the tax paid or payable on your lease payments that became due on or after the effective date of the election, to the extent that you use the property in commercial activities, as long as it is used more than 10% in those activities.
- If you purchased the real property:
 - you are considered to have made a taxable sale of the property immediately before the effective date of the election and to have collected the GST/HST on the sale equal to the basic tax content of the property on the effective date of the election
 - you are also considered to have purchased the property on the effective date of the election and to have paid the GST/HST on the purchase equal to the basic tax content of the property on the effective date of the election
 - because you are considered to have made a taxable sale of the property, you are entitled to claim an ITC equal to the basic tax content of the property to recover any tax payable for your last acquisition of the property, and for improvements you made to it, that you were previously unable to recover
 - you have to report the tax you are considered to have collected on your GST/HST return for the reporting period during which you are considered to have sold the property (see Reporting the GST/HST you are considered to have collected)
 - since you are also considered to have paid tax on the purchase of the property, you are entitled to claim an ITC for this tax based on the extent of use of the property in your commercial activities, as long as you use the property more than 10% in those activities (no PSB rebate is available). The primary use rule that you would normally use to determine your ITCs does not apply to the property while the election is in effect
 - you are entitled to claim ITCs for the tax paid or payable on purchases and expenses (such as maintenance and utilities) related to the real property

to the extent that you use the property in your commercial activities (as long as the use is more than 10% in those activities)

Note

For information on calculating the basic tax content of the property, see “Calculating the basic tax content” on page 15.

Reporting the GST/HST you are considered to have collected

As a registrant, you have to include the GST/HST you are considered to have collected in your **line 105** calculation if you are filing your return electronically (or on **line 103** if you are filing a paper GST/HST return) for the reporting period in which you are considered to have made the taxable sale. You have to remit **any** positive amount of net tax due with that return by the due date of the return.

Example

You are a qualifying NPO that is a GST/HST registrant. In 2021, you acquired a building in Alberta for \$300,000 plus \$15,000 GST. At that time, 70% of the building was used in your exempt activities that did **not** involve making supplies of that part of the building and 30% was leased in the course of your business for periods of **at least** one month (also an exempt activity). Since the primary use rule was not met (the property was **not** for use primarily in your commercial activities), you could **not** claim an ITC.

However, since you are a qualifying NPO, you were entitled to claim a 50% PSB rebate ($\$15,000 \times 50\% = \$7,500$).

In March 2022, you file the election to treat the exempt leases as taxable. The building is now used 30% in commercial activities, since the leases that were exempt are now treated as taxable as a result of the election taking effect. The fair market value of the property at the time of the election is \$310,000. You did not make **any** improvements to the property.

You are considered to have made a taxable sale of the property immediately before the effective date of the election and to have collected the GST on the sale equal to the basic tax content of the property on the effective date of the election.

You are also considered to have purchased the property and to have paid the GST on that purchase.

You calculate the amount of the GST that you are considered to have collected and that you have to report on your GST/HST return, which is equal to the basic tax content, as follows:

$$\begin{aligned}\text{Basic tax content} &= (A - B) \times C \\ &= (\$15,000 - \$7,500) \times 1 \text{ (maximum)} \\ &= \$7,500\end{aligned}$$

You include \$7,500 in your **line 105** calculation if you are filing your return electronically (or on **line 103** if you are filing a paper GST/HST return) for the reporting period during which the election took effect.

You calculate your ITC for the tax you are considered to have paid when the election took effect, which is based on the basic tax content of the property, as follows:

$$\begin{aligned}\text{ITC} &= \$7,500 \times 30\% \text{ (use in commercial activities)} \\ &= \$2,250\end{aligned}$$

In addition, since you are considered to have made a taxable sale of the property, you can also claim an ITC for \$7,500 (which is equal to the basic tax content of the property) to recover the GST you paid to originally purchase the property that you were not previously able to recover.

Therefore, the total ITCs you are entitled to claim as a result of making the election is \$9,750 (\$2,250 + \$7,500).

In addition, you can now claim ITCs for 30% of the GST paid or payable on operating expenses, such as electricity, maintenance, and utilities related to the commercial use of the property.

You **cannot** claim a PSB rebate for **any** of the tax you are considered to have paid, since the basic tax content calculation takes the amount of the PSB rebate into account so that the amount of tax you had to report was reduced by the amount of that rebate.

Change-in-use rules when the election is in effect

The following rules apply **only** to capital real property for which you made an election to treat exempt supplies of real property as taxable supplies, if you are a GST/HST registrant.

As explained earlier, when you make the election to treat certain exempt supplies of real property as taxable supplies, ITCs are calculated based on the percentage of use in commercial activities (instead of the primary use rule). It is possible that this percentage will change over time.

If you increase the percentage of use in commercial activities, you may be able to claim additional ITCs. On the other hand, if you decrease the percentage of use in commercial activities, you may have to pay back some or all of the ITCs you previously claimed.

Increasing use in commercial activities

When you increase the percentage of use of real property in commercial activities by 10% or more, you may be able to claim an ITC equal to the **basic tax content** of the property multiplied by the percentage of the increase in commercial activities.

Decreasing use in commercial activities

When you decrease (without stopping) the use of real property in commercial activities by 10% or more, we consider you to have collected the GST/HST on the part you no longer use in your commercial activities.

The amount of GST/HST you have to account for in determining your net tax is equal to the basic tax content of the property multiplied by the percentage of the decrease in commercial activities.

Stopping use in commercial activities

When you stop using real property for commercial activities, or when you reduce the use in commercial activities to 10% or less, you are considered to have sold and reacquired the property.

If that sale is taxable, you will have to include the GST/HST you are considered to have collected on the sale in determining your net tax. The GST/HST you are considered to have collected is equal to the basic tax content of the property at the time of the change-in-use.

If the real property was used partially in exempt activities before the change-in-use, you would not have been entitled to claim an ITC for the part of the tax paid or payable on your last acquisition of the property that related to the exempt use of the property. Since you have to account for tax equal to the full basic tax content of the property for the sale you are considered to have made (if that sale was taxable), you would be entitled to claim an ITC for the tax you were previously unable to recover. In this case you could claim the ITC for the reporting period in which you are considered to have made the sale. The ITC would be calculated by multiplying the amount of the basic tax content you had to account for on the sale by the percentage that you were using the property in exempt or non-commercial activities immediately before the sale you are considered to have made.

Filing the election

To make the election, you have to send us a completed 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, within one month after the end of the reporting period in which the election is to become effective. You have to file this election for **each** property you want to treat as taxable.

Revoking the election

You can revoke this election by filing another Form GST26. The revocation will be effective on the day that you specify on Form GST26, as long as you file the form within one month after the end of the reporting period in which the election ceases to be effective.

If you revoke your election, you are considered to have sold and purchased the property and to have collected and paid GST/HST equal to the basic tax content of the property. You must include the tax you are considered to have collected in your net tax calculation. For more information, see Form GST26.

Digital services

Handle your business taxes online

My Business Account lets you view and manage your business taxes online.

Use My Business Account throughout the year to:

- make a payment online to the CRA with My Payment, create a pre-authorized debit (PAD) agreement, or create a QR code to pay in person at Canada Post
- file a return, view the status of filed returns, and adjust returns online
- submit documents to the CRA
- manage authorized representatives and authorization requests
- register to receive email notifications and to view mail from the CRA in My Business Account
- manage addresses, direct deposit information, program account names, operating names, phone numbers, and business numbers in your profile
- file an election related to GST/HST
- view and pay account balances
- calculate and pay instalment payments
- calculate a future balance
- transfer payments and immediately view the updated balance
- make an online request regarding your account and view answers to common enquiries
- track the progress of certain files you have submitted to the CRA
- submit an audit enquiry
- request relief of penalties and interest
- manage Multi-factor authentication settings

To sign in to or register for the CRA's digital services, go to:

- My Business Account, at canada.ca/my-cra-business-account, if you are a business owner
- Represent a Client, at canada.ca/taxes-representatives, if you are an authorized representative

For more information, go to canada.ca/taxes-business-online.

Receive your CRA mail online

Register for email notifications to find out when CRA mail, like your notice of assessment, is available in my Business Account.

For more information, go to canada.ca/cra-business-email-notifications.

Create a pre-authorized debit agreement from your Canadian chequing account

A pre-authorized debit (PAD) is a secure online self-service payment option for individuals and businesses to pay their taxes. A PAD lets you authorize withdrawals from your Canadian chequing account to pay the CRA. You can set the payment dates and amounts of your PAD agreement using the CRA's secure My Business Account service at canada.ca/my-cra-business-account. PADs are flexible and managed by you. You can use My Business Account to view your account history and modify, cancel, or skip a payment. For more information, go to canada.ca/pay-authorized-debit.

Electronic payments

Make your payment using:

- your Canadian financial institution's online or telephone banking services
- the CRA's My Payment service at canada.ca/cra-my-payment
- your credit card, Interac e-transfer, or PayPal through one of the CRA's third-party service providers
- pre-authorized debit at canada.ca/my-cra-business-account

For more information on all payment options, go to canada.ca/payments.

For more information

If you need help

If you need more information after reading this guide, go to canada.ca/taxes or call 1-800-959-5525.

Direct deposit

Direct deposit is a fast, convenient, and secure way to receive your CRA payments directly in your account at a financial institution in Canada. For more information and ways to enrol, go to canada.ca/cra-direct-deposit or contact your financial institution.

Forms and publications

The CRA encourages you to file your return electronically. If you need a paper version of the CRA's forms and publications, go to canada.ca/cra-forms-publications or call 1-800-959-5525.

Electronic mailing lists

The CRA can send you an email when new information on a subject of interest to you is available on the website. To subscribe to the electronic mailing lists, go to canada.ca/cra-email-lists.

Excise and GST/HST News

As a GST/HST registrant, you may want to review the quarterly issues of the **Excise and GST/HST News**, which discuss different issues that concern GST/HST registrants, including new online services. We can notify you by email when new information on a subject of interest to you is available on our website. To subscribe to our electronic mailing lists, go to canada.ca/cra-email-lists. You can also go to canada.ca/gst-hst-tech to read the latest edition of **Excise and GST/HST News** online.

Tax Information Phone Service (TIPS)

For tax information by telephone, use the CRA's automated service, TIPS, by calling 1-800-267-6999.

Teletypewriter (TTY) users

If you use a TTY for a hearing or speech impairment, call 1-800-665-0354.

If you use an **operator-assisted relay service**, call the CRA's regular telephone numbers instead of the TTY number.

GST/HST rulings and interpretations

You can request a ruling or interpretation on how the GST/HST applies to a specific transaction for your operations. This service is provided free of charge. For the mailing address or fax number of the closest GST/HST Rulings centre, see GST/HST Memorandum 1-4, Excise and GST/HST Rulings and Interpretations Service, or call 1-800-959-8287.

Formal disputes (objections and appeals)

You have the right to file an objection if you disagree with an assessment, determination, or decision.

For more information about objections and related deadlines, go to canada.ca/cra-file-objection.

CRA service feedback program

Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the CRA. For more information about the Taxpayer Bill of Rights, go to canada.ca/taxpayer-rights.

You may provide compliments or suggestions, and if you are not satisfied with the service you received:

1. Try to resolve the matter with the employee you have been dealing with or call the telephone number provided in the correspondence you received from the CRA. If you do not have contact information for the CRA, go to canada.ca/cra-contact
2. If you have not been able to resolve your service-related issue, you can ask to discuss the matter with the employee's supervisor
3. If the problem is still not resolved, you can file a service-related complaint by filling out Form RC193, Service Feedback. For more information and to learn how to file a complaint, go to canada.ca/cra-service-feedback

If you are not satisfied with how the CRA has handled your service-related complaint, you can submit a complaint to the Office of the Taxpayers' Ombudsperson.

Reprisal complaints

If you have received a response regarding a previously submitted service complaint or a formal review of a CRA decision and feel you were not treated impartially by a CRA employee, you can submit a reprisal complaint by filling out Form RC459, Reprisal Complaint.

For more information, go to canada.ca/cra-reprisal-complaints.

Tax information videos

We have a tax information video series for new small businesses that provides an introduction to topics such as registering a business, GST/HST, and payroll. To watch our videos, go to canada.ca/cra-video-gallery.