



Canada Revenue
Agency

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du Canada



GST/HST Presentation For Discussion Purposes Only

Theatre & Arts – Charity & NPO July 2021

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Definitions

- **Public Service Body (PSB)** includes **charity & NPO**,
- **Charity** – means a registered charity or registered Canadian amateur athletic association ... subsection 248(1) of the *Income Tax Act*
- **Non-profit organization (NPO)** - organized and is operated solely for a purpose other than profit, no part of the income of which is ... available for the personal benefit of, any proprietor, member ...
- **Qualifying non-profit organization (QNPO)** : in a fiscal year ... the percentage of **government funding** of the person for the year is **at least 40%**

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Definitions

- **Registrant** - a person that is registered, or has to be registered, for the GST/HST
- **Don't collect GST/HST** (except for certain taxable sales of real property) **unless you are a registrant**
- **Capital property** - depreciable property eligible for CCA deduction ... and ... capital gain/loss
- **Supply** - the provision of property or a service in any manner, including **sale**, transfer, barter, exchange, licence, **rental**, **lease**, gift ...
- **Commercial activity (CA)**- any business or adventure or concern in nature of trade carried on by a person, but does not include exempt supplies

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Charities vs. NPOs Some Differences

Topic	Registered charity	NPO
Registration	<ul style="list-style-type: none"> • must apply to the CRA and be approved for registration as a charity 	<ul style="list-style-type: none"> • does not have to go through a registration for income tax purposes
GST/HST	<ul style="list-style-type: none"> • generally must pay GST/HST on purchases • may claim a partial rebate of GST/HST paid on eligible purchases • most supplies made by charities are exempt • calculates net tax using the net tax calculation for charities 	<ul style="list-style-type: none"> • must pay GST/HST on purchases • may claim a partial rebate of GST/HST paid on eligible purchases only if it receives significant government funding • few supplies made by NPOs are exempt • calculates net tax the regular way

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Exempt Supplies Made By Charities

Admissions

- **To places of amusement ...** max price is **\$1 or less**
- To a fund-raising dinner, ball, concert, show where permitted to issue a **donation receipt**
- Where **90%** or more performers, athletes, or competitors are **not paid**, directly or indirectly (other than by government/municipal grants ...or travel, or other incidental costs
- Admissions are **not exempt** for events advertised as featuring paid participants or for events at which professional athletes compete for cash prizes (this applies to both charities & NPOs)

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Exempt Supplies Made By Charities

Fund-raising activities

- Most property and services are exempt ... **unless:**
 - you sell these **regularly or continuously** throughout the year, or a significant part of the year; or
 - your clients entitled to receive regularly or continuously throughout the year, or a significant part of the year
- Examples: greeting cards sold in Christmas season and chocolate bars sold in 8 week fund-raising drive
- Does not include year-round in a tuck (gift) shop

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Exempt Supplies Made By Charities

Gambling events – examples exempt supplies:

- Your lottery or raffle tickets
- Bingo cards
- Bingo/casino admission is exempt **if**:
- **volunteers** run the event and take the bets; and
- for bingo and casino nights, the event is **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

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Exempt Supplies Made By Charities

Memberships

- Exempt, **unless** the value of the following benefits is significant (generally considered to be **30%** or more) in relation to the cost of the membership:
- free or reduced admission to a place of amusement;
- the right to use facilities at a place of amusement; or
- the right to participate in a recreational or athletic activity at a place of amusement

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Exempt Supplies Made By Charities

Recreational programs

- If you provide recreational programs **primarily to children 14 years of age or under**, the fees you charge are **exempt**. However, if there is **overnight** supervision throughout a substantial part of these programs, the fees are **taxable**.
- If you provide recreational services **primarily** to underprivileged individuals, or individuals with a disability, these services are **also exempt**.

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Exempt Supplies Made By Charities

Donations and gifts

- Generally, no **GST/HST - voluntary** transfer (money or property) - donor receives no benefit
- If receives **nominal value** (e.g. key ring) no **GST/HST**
- March 22, 2016, when you make a taxable (other than zero-rated) supply in exchange for a donation and when you are permitted to issue a donation receipt ... **fair market value** of the property or services supplied will be **subject to the GST/HST**.
- GST/HST Rulings

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Exempt Supplies Made By Charities

Sponsorships - examples **not subject to the GST/HST**:

- a business financially supports your activity & **you promote the business**. For example - your charity organizes a **softball team** and you agree to feature a sponsor's trade name on team uniforms or you run a sporting event and publish an **acknowledgment** of the sponsor in the event's **program**.
- when you receive funding in return for allowing the sponsor the **right to use your charity's logo**
- **Advertising not** a taxable supply (different NPO)

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Taxable Supplies Made By Charities

- **admissions to place of amusement more than \$1**
- restaurant operations
- professional theatre subscriptions
- sales of real property you used more than 50% in your CA immediately before sale
- capital property you used more than **50%** in your CA (**gift shop cash register**)
- **new goods** (new goods you bought to resell in a gift shop for a price that is more than their direct cost)
- **RC4082** GST/HST Information for Charities

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Exempt Supplies Made By NPOs

Admissions

- **Admissions to places of amusement \$1 or less**
- Where **90%** or more performers, athletes, or competitors are **not paid**, directly or indirectly (other than by government/municipal grants ...or travel, or other incidental costs)
- Admissions are **not exempt** for events advertised as featuring paid participants or for events at which professional athletes compete for cash prizes (this applies to both charities & NPOs)

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Exempt Supplies Made By NPOs

Fund-raising activities

- Sales of goods **when all 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 - sell chocolate bars door-to-door for \$2.

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Exempt Supplies Made By NPOs

Gambling events

- Admissions to gambling events are exempt **if you meet both** of the following conditions:
- **Volunteers** run the event and take the bets
- Bingo/casino - **not held in a commercial hall** used mainly for gambling activities
- If you operate (the event) **sale of bingo cards** or on bets are exempt. You are the operator **if you have the provincial licence to run** the event.

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Exempt Supplies Made By NPOs

Memberships - depends on benefits received

Examples:

- indirect benefit intended to accrue to all members
- newsletter
- **discount** ... when value of discounts is **insignificant (less than 30%)** in relation to membership fee
- However ... if main purpose of membership is to provide **dining, recreational, or sporting facilities – taxable supplies**

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Exempt Supplies Made By NPOs

- If your membership fees are exempt, **you can choose to have them treated as taxable.**
- This may allow you to claim ITCs for tax paid or payable on **expenses related to the memberships.**
- **Taxable supplies, collect GST/HST and ITCs**
- Form GST23 – do not send - keep it with your records

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Exempt Supplies Made By NPOs

Recreational programs

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

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Exempt Supplies Made By NPOs

Donations and gifts

- GST/HST does not apply to donations and gifts
- 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**

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Exempt Supplies Made By NPOs

Sponsorships

- Funding ... allow sponsor the right to **use its logo**:
- corporation sponsors your soccer team & you agree ... name on uniform or publish **acknowledgement** of the sponsor in event's program
- Payment is **not** subject to GST/HST
- If payment is made **primarily (more than 50%) for advertising** ... is not ... a sponsorship, but rather for advertising services - **subject to the GST/HST**

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Taxable Supplies Made By NPOs

- **admissions to a place of amusement more than \$1**
- registration for conferences, seminars, trade shows
- books, subscriptions to magazines and newsletters
- advertising services
- restaurant meals
- club memberships where main purpose - provide recreational, dining, or sporting ... to its members
- sales of **real property** you used more than **50%** in your CA immediately before sale
- **banquet facilities or rink**
- **RC4081** GST/HST Information for Non-Profit Organizations

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Admission to Place of Amusement

- Excise and GST/HST News - No. 98
- **Applies to charities and NPOs**
- An admission in respect of a place of amusement, as defined in the Excise Tax Act “**means a right of entry or access to, or attendance at**, the place of amusement...”
- Place of amusement can be broken down into three categories:

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Admission to Place of Amusement

- 1. A “place of amusement” means any **premises or place**, whether or not enclosed, at or in any part of which is staged or held any
 - a. **film, slide show**, sound and light **or similar** presentation;
 - b. **artistic, literary, theatrical, musical** or other performance, entertainment or exhibition;
 - c. fair, circus, menagerie, rodeo or similar event; or
 - d. race, game of chance, athletic contest or other contest or game

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Admission to Place of Amusement

- 2. A “place of amusement” **includes** a museum, historical site, zoo, wildlife or other park, and any place where bets are placed
- 3. A “place of amusement” includes **any place**, structure, apparatus, machine or device the purpose of which is **to provide any type of amusement or recreation**

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Admission to Place of Amusement

- Example #3
- A museum that is **a charity** for GST/HST purposes and a GST/HST registrant **charges \$6 to view** its collection. The **museum is a place of amusement** as it is specifically included in the second category of the definition. As the maximum admission price to this place of amusement is **over \$1**, and no other exemption applies, the admission to the museum is **subject to GST/HST**.

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Admission to Place of Amusement

- Example #4 - charity registrant hosts public skating
- aged 2 to 5 years admission **\$0.50**, 6 to 12 **\$1**, and 13 and over **\$2.50**.
- The skating rink **is a place of amusement** as defined in the third category of the definition ("any place ... the purpose of which is to provide any type of amusement or recreation")
- Although the charity charges admission prices of \$1 or less for some of the admissions, **one** of the admission prices **is more than \$1** and no other exemption applies, so **all** the supplies of admissions, regardless of price, are **subject to GST/HST**

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Input Tax Credit (ITC)

- **A registrant** may be able to recover GST/HST on your purchases & expenses related to your CA by claiming ITC on your GST/HST return
- Extent (%age) for consumption, use or supply in CA
- Cannot claim an ITC, such as:
- for making exempt supplies
- membership fees or dues club whose main purpose is to provide recreation, dining, or sporting facilities
- for your personal consumption, use, or enjoyment
- Special rules for **charities & NPO on capital property**
- Special rules **for charities on operating** expenses

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Input Tax Credit (ITC)

NPO operating expenses

- Based on % age of use in CA
- Examples include:
 - commercial rents and equipment rentals
 - advertising
 - utilities
 - office supplies

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Input Tax Credit (ITC)

- Example - own building in NS & operate retail store (CA) & rent apartment (long-term) on upper floor (exempt supply). Rent includes utilities which is for both CA & non CA **(\$80 HST)**.
- If all other conditions for claiming an ITC are met and you use fair and reasonable allocation method you determine **70%** of utility for store & **30%** to the apartment, you can claim **ITC for 70% of HST**
- $\$80 \times 70\% = \mathbf{\$56 \text{ ITC}}$

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Input Tax Credit (ITC)

Capital property – charities and NPOs

- Primary use rule
- Capital personal property (e.g. computers) and capital real property (e.g. buildings)
- If the intended use in CA is **more than 50%, you can claim a full ITC**
- If the intended use in CA is **50% or less, you cannot claim an ITC**
- Example: bought computer for \$2,000 plus GST, use it 60% in CA. Since it is used more than 50% in CA, claim the full ITC

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Input Tax Credit (ITC)

Change of use

- If you change the use **from 50% or less** in CA **to more than 50%** 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 CA **to 50% or less** you have to **repay** all or part of the tax you claimed as an **ITC** when you last acquired the property.
- GST/HST Rulings

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Input Tax Credit (ITC)

Capital property – **improvements** ITC rule

- An “improvement” means any property or service ... for the purpose of improving the property, to the extent that ... included in determining the **adjusted cost base** ... of the property for the purposes of (ITA)
- Would **not include repairs and maintenance** expenses (not added to the adjusted cost base)
- Generally **cannot claim ITC** in respect of the **improvement unless**, at the time tax in respect of the improvement becomes payable, **the capital property is used primarily** in its CA (**note the prior to**)

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Input Tax Credit (ITC)

- Example
- A registrant owns a computer used primarily in CA
- Adds component as an improvement to computer
- Since at the time tax became payable on the improvement the computer was used primarily in registrant's CA, registrant will be eligible to claim an ITC on component.
- GST/HST Memorandum 8.3 - Calculating Input Tax Credits
- GST/HST Rulings

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GST/HST Registration

Charities and NPOs:

- Must register for GST/HST if it:
 - makes taxable supplies in Canada and
 - is not a small supplier
- May **voluntarily register** for GST/HST if it:
 - makes taxable supplies in Canada and
 - is a small supplier
- Cannot GST/HST register if only exempt supplies

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Small supplier Limits

NPO - the **\$50,000** taxable supplies test:

- Taxable supplies test includes your revenues ... including zero-rated supplies
- Do **not** include revenues from exempt supplies, sales of capital property ...donations

Charity may qualify as small supplier under **either**:

- the **\$50,000** taxable supplies test or
- the **\$250,000** (annual) gross revenue test

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Small supplier Limits

\$250,000 (annual) gross revenue test

- Charity does not have to determine if property and services its sells or provides are subject to GST/HST
- **First** fiscal year, do not have to register for GST/HST
- **Second** fiscal year - if revenue first fiscal year is \$250,000 or less, you are considered a small supplier
- **Third or later** fiscal year – if revenue in either of your two previous fiscal years is \$250,000 or less in either of these years, you are considered a small supplier
- **If registered in error – contact Business Enquiries**

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Voluntary Registration GST/HST

Small supplier decides **not** to **register**:

- **Do not charge GST/HST** on most taxable supplies
- **Cannot claim ITCs** to recover GST/HST

Small supplier **does** decide to register:

- **Charge GST/HST** on taxable supplies
 - **Claim ITCs** to recover the GST/HST paid or payable *
- * Net tax calculation for charities

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Calculating Net Tax - NPO

- **Step 1 GST/HST** collected or collectible on your taxable supplies made during the reporting period (less)
- **Step 2** GST/HST paid and payable on purchases and expenses for which you can claim an **ITC**
- **Step 3 Difference** = your net tax of **remittance or refund**. If positive - send us the difference. If negative claim a refund of difference.
- QNPO may apply for PSB rebate

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Special Net Tax Calculation – Charity

Step 1 – Determine the total of:

- **60%** of the GST/HST on most supplies;
- **all** GST/HST taxable sales of **capital & real property**

Step 2

- **ITCs** real & **capital** property for use **primarily** in CA
- Not operating

Step 3 - difference is your net tax

- See RC 4082 for more information

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Public Service Bodies' (PSB) Rebate

PSB Rebate for **Charities & Qualifying NPOs:**

- **50% GST on eligible purchases and expenses**
- general **operating** expenses such as rent, utilities, and administration for which you cannot claim ITCs
- most **allowances & reimbursements** paid to employees/volunteers incurred in exempt activities
- property and services used, consumed, or supplied in your exempt activities
- most capital property **where you cannot claim ITCs**

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Public Service Bodies' (PSB) Rebate

Non-eligible purchases and expenses examples:

- **memberships** in a club, main purpose of which is to provide dining, recreational, or sporting facilities
- **tobacco** products, cannabis products, and **alcoholic** beverages (except when included in the price of a meal) you supply and for which you are not required to collect the GST/HST
- See more in RC4034

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Public Service Bodies' (PSB) Rebate

- Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*
- **Registrants** would file their PSB rebate application the same filing frequency as their GST/HST return
- **Non-registrant** - you have two claim periods per fiscal year (the first six months and the last six months of your fiscal year)
- You do not need to be GST/HST registered in order to apply for the PSB rebate

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QNPO (Qualifying NPO)

Government funding is at least 40% of its total revenue

- Government funding - money paid by a grantor (e.g.s. government or municipality)
- to **support or promote the NPO's objectives** but
- **not to pay for goods or services it supplied to grantor**
- Form GST523-1
- Excise and GST/HST News - No. 109 (June 2021)

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Additional Topics

Pre-assessment reviews

- All GST/HST refund requests are systematically reviewed to identify errors or evidence of non-compliance. As a result, some are considered further before payment is approved. Given that we have a national workload model, claimants may be contacted by an examiner located anywhere in Canada.

Post-assessment audits

- The selection of GST/HST returns for audit or examination is based on both risk assessment and on random file selection

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CRA References Materials

- RC17(E) Rev. 19 Taxpayer Bill of Rights Guide: Understanding your rights as a taxpayer - gives you information on the 16 rights in the Taxpayer Bill of Rights and explains what you can do if you believe that we have not respected your rights
- RC4188 What You Should Know About Audits
- <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/changes-your-business/business-audits/gst-hst-audit-examination.html>
- GST/HST Memorandum 31.0 - Objections and Appeals, explains objections and appeals process

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CRA References Materials

- **RC4034** - GST/HST Public Service Bodies' Rebate
- GST/HST Memo 13-5 Non-creditable Tax Charged
- **RC4081** GST/HST Information for NPOs
- **RC4082** GST/HST Information for Charities
- GST/HST Memorandum 2.1 Required Registration
- GST/HST Memorandum 2.2 Small Suppliers
- **GST/HST Memorandum 2-3 Voluntary registration**
- GST/HST Memorandum 2.7 Cancellation of Registration
- GST/HST Memoranda Series (by chapters) **8 - Input Tax Credits:** (Memorandum 8-1 through 8-4)

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CRA References Materials

- GST/HST Technical Information Bulletin B-067 Goods and Services Tax Treatment of Grant and Subsidies
- GST/HST Memorandum 15-1 (Books and Records)
- GST/HST Memo 19.4.2 Commercial Real Property
- GST/HST Memorandum 1.4 Excise and GST/HST Rulings and Interpretations Services
- **Summary of the Corporate Business Plan 2021–22 with perspectives to 2023–24 (education-first approach)**
- GST/HST - Business Enquiries at **1-800-959-5525**
- GST/HST - Rulings at **1-800-959-8287**

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Comments and Feedback

- **In-person event for 2022?**
- Please remember to provide us with comments and feedback on today's presentation

END