



How a Charity Completes Its GST/HST Return

This version replaces the one dated June 2011.

This info sheet explains how a charity that is a GST/HST registrant calculates its net tax and completes its GST/HST return.

Meaning of significant terms

“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.

“Exempt supplies” are supplies of property and services that are not subject to the GST/HST. GST/HST registrants cannot claim input tax credits (ITCs) to recover the GST/HST paid or payable on expenses related to making such supplies. However, a charity may be eligible to claim a public service bodies' (PSB) rebate for such expenses.

“Participating province” means a province that has harmonized its provincial sales tax with the GST to implement the 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.

British Columbia was a participating province from July 1, 2010 until March 31, 2013.

“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 to be a municipality by the Minister of National Revenue. Information on how the GST/HST applies to public institutions is available in GST/HST Info Sheet GI-068, *Basic GST/HST Guidelines for Public Institutions*.

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

“Selected public service body” means:

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

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

“Taxable supplies” are supplies of property and services that are made in the course of a commercial activity and are 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 (other than charities using the net tax calculation for charities) can claim ITCs for the GST/HST paid or payable on purchases and expenses made to provide them.

Net tax calculation for charities

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

La version française de la présente publication est intitulée *La façon dont un organisme de bienfaisance doit remplir sa déclaration de TPS/TVH*.



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

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

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

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

- 60% of the GST/HST the charity charged, whether the charity collected it or not, on most taxable supplies, including taxable supplies for which point-of-sale rebates and Ontario First Nations point-of-sale relief were given by the charity in the reporting period.

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

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

- 100% of the GST/HST charged on taxable sales of capital and real property (land or buildings), including deemed taxable sales of capital and real property;
- 100% of the GST/HST deemed collected on property or services appropriated to, or for the benefit of, a member or relative of a member of the charity (for example, an inventory item or other asset given to this person);
- 100% of the GST/HST deemed collected on any property or service that the charity provided to an employee that is a taxable benefit for income tax purposes;
- 100% of the GST/HST collected or collectible on supplies of goods the charity made while acting as

an agent, or auctioneer and agent, of a person where the charity has to account for the tax;

- 100% of any GST/HST collected in error;
- 100% of all amounts required to be taken into account as GST/HST by the charity because of the recovery of a bad debt for a taxable sale of capital property or real property;
- the amount of GST/HST adjusted, refunded, or credited to the charity by the seller of capital property or real property to the extent that the amount was previously claimed by the charity as an ITC; and
- any amount that the charity carried forward from designated reporting periods for which the charity received approval from the Canada Revenue Agency (CRA) to temporarily stop filing GST/HST returns for those periods in which it had \$1,000 or less of net GST/HST to report.

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

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

Step 2 – Determine the total ITCs and adjustments

Charities that use the net tax calculation for charities cannot claim as ITCs most of the GST/HST paid or payable on their purchases and expenses (even if they relate to taxable supplies). Therefore, in most cases, line 108 of the GST/HST return will be zero.

Nevertheless, there are some particular situations where the amount reported on line 108 may include the following:

- 100% ITCs for the GST/HST paid or payable on the charity’s purchases of, or improvements to, capital property or real property for use primarily (more than 50%) in the charity’s commercial activities, including the deemed GST/HST payable when capital property is brought into a participating province for use primarily in its commercial activities;

- any ITC for the GST/HST paid or payable on the charity's acquisition of, or improvement to, real property based on the percentage of use of the real property in the charity's commercial activities (must be more than 10%) and for which it filed Form GST26, *Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply*, that is effective the day the property is acquired;
- any ITC equal to the basic tax content of real property just before an election (Form GST26) filed by the charity takes effect to treat that property as a taxable supply and any ITC for the GST/HST considered paid on the deemed purchase of that property based on the percentage of use of the property in the charity's commercial activities (must be more than 10%), where the election takes effect on a day other than the day the property was acquired by the charity or the day the charity becomes a registrant. For information on the basic tax content, refer to Guide RC4022, *General Information for GST/HST Registrants*;
- 100% ITCs for the GST/HST paid or payable on goods that the charity acquired, imported, or brought into a participating province that will be sold by an agent or an auctioneer acting as the charity's agent;
- 100% ITCs for the GST/HST paid on goods imported by the charity on behalf of a non-resident person for use exclusively in the charity's commercial activities and sold when the charity was acting as an agent, or auctioneer and agent, for the non-resident person;
- 60% of the total of the GST/HST adjustments (for example, for price reductions and rebates for foreign conventions, for short-term accommodation in tour packages and for artistic works produced for export) or of point-of-sale rebates for the provincial part of the HST that the charity gave in the reporting period (no amount should be included for any Ontario First Nations point-of-sale relief credited in the reporting period as the charity may claim this amount by filing Form GST189, *General Application for Rebate of GST/HST*, using code 23);
- the GST/HST adjusted, refunded, or credited in a credit note issued by the charity in the reporting period for tax charged in excess of the GST/HST collectible on certain supplies of property or services;

- GST/HST adjustments relating to sales of capital property or real property that the charity made for tax collected in error, bad debts written off during the period, or credits for the new housing rebate; and
- 100% ITCs that the charity was entitled to claim and that it carried forward from a reporting period when it did not have to use the net tax calculation for charities.

Step 3 – Determine the net tax

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

Exceptions to using the net tax calculation for charities

Public Institutions

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

Designated Charities

A designated charity is a charity that has applied for designation and has been designated by the Minister of National Revenue to have certain exempt services it provides made taxable. To qualify for this designation, a charity must meet the two following conditions:

- one of the main purposes of the charity is to provide employment or employment-related assistance to individuals with disabilities; and
- the charity must supply, on a regular basis, certain services that are performed, in whole or in part, by individuals with disabilities.

A designated charity cannot use the net tax calculation for charities.

Election not to use the net tax calculation for charities

A charity that meets any of the following conditions can elect not to use the net tax calculation for charities:

- The charity makes supplies outside Canada in the ordinary course of its business.

- The charity makes zero-rated supplies (for example, basic groceries and certain medical devices) in the ordinary course of its business.
- 90% or more of the charity's supplies are taxable supplies.

Once a charity elects not to use the net tax calculation for charities, it will not subsequently be forced to use the net tax calculation for charities if its circumstances change, such as if it were no longer to make zero-rated supplies, or if it were to begin to make a greater percentage of exempt supplies. Therefore, once a charity has made this election, it does not have to keep track of whether it is still making supplies outside Canada or zero-rated supplies in the course of its business or the extent to which it still makes taxable supplies.

To make the election, the charity must submit a completed Form GST488, *Election or Revocation of an Election Not to Use the Net Tax Calculation for Charities*. Eligible charities with annual reporting periods have to file this form on or before the first day of the second fiscal quarter of the fiscal year for which the election will be in effect (for example, on or before April 1, if the charity's fiscal year begins on January 1). In other cases, the form must be filed on or before the date a return has to be filed for the first reporting period for which the election is in effect.

The charity's head office should make this election. Once made, it is binding on the legal entity. All branches that are part of one legal entity are required to use the same method of accounting for tax.

Form GST488 and other forms are available on the CRA website at www.cra-arc.gc.ca/gsthstpub or by calling 1-800-959-5525.

Revoking the election

The election not to use the net tax calculation for charities remains in effect until a request for its revocation is filed. A charity can revoke its election no earlier than one year after the election takes effect by submitting a completed Form GST488. The charity is required to file this form on or before the due date of the GST/HST return for the last reporting period during which the election is in effect. Once a charity revokes the election, it will have to use the net tax calculation for charities.

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

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

A charity that is a registrant is required to complete and file a GST/HST return for each of its reporting periods by using either Form GST34-2, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*, or Form GST62, which is the non-personalized version of Form GST34-2. Once a charity is registered for GST/HST purposes, a personalized GST/HST return (Form GST34-2) is automatically sent to the charity for each of its reporting periods.

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

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

Public service bodies' rebate

A charity that is a registrant is entitled to claim a PSB rebate of 50% of the GST or the federal part of the HST paid or payable on eligible purchases and expenses for which it cannot claim ITCs or any other rebate, refund, or remission. For information on purchases and expenses that are not eligible for the PSB rebate, refer to Guide RC4082, *GST/HST Information for Charities*.

For a charity using the net tax calculation for charities, all amounts of the GST/HST paid or payable on eligible purchases and expenses that are not included as ITCs in the net tax calculation qualify for the PSB rebate (whether the GST/HST amounts relate to taxable or exempt activities).

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

82% – Ontario
57% – British Columbia
50% – Nova Scotia
50% – New Brunswick
50% – Newfoundland and Labrador
35% – Prince Edward Island

Charities resident in British Columbia may only apply for a PSB rebate for the provincial part of the HST for claim periods that end on or after July 1, 2010, and begin before April 1, 2013.

In Prince Edward Island, this rebate only applies to claim periods that end on or after April 1, 2013.

For information, including a worksheet, to assist a charity in determining in which province(s) it is resident, please refer to GST/HST Info Sheet GI-121, *Determining Whether a Public Service Body is Resident in a Province for Purposes of the Public Service Bodies' Rebate*.

If a charity that is not a selected public service body is resident in more than one province, at least one of which is a participating province, it has to calculate the PSB rebate for the provincial part of the HST based on the extent to which it intended to consume, use, or supply property or services in the course of its activities in each participating province in which it is resident.

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

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

If a charity is eligible to claim a PSB rebate for the provincial part of the HST, it must not include in its calculation any amounts for which it received a point-of-sale rebate for the provincial part of the HST on purchases of qualifying goods (such as a point-of-sale rebate on books). The charity will be

entitled to claim a PSB rebate for only the federal part of the HST paid on these goods.

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

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

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

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

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

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

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

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

Charities that are registrants file their PSB rebate applications with the same frequency as they file their GST/HST returns (monthly, quarterly, or annually).

A GST/HST registrant has up to four years from the due date of its GST/HST return for the claim period to file a PSB rebate application. A PSB rebate application for a particular claim period must only include the eligible GST/HST that was payable or that was paid without having become payable during that claim period. GST/HST payable in one claim period generally cannot be included in the PSB rebate application for a subsequent claim period.

If a charity has already claimed a PSB rebate for a claim period and subsequently discovers additional GST/HST that was paid or payable during that claim period, the charity must adjust the previously filed rebate application to claim a PSB rebate for the additional GST/HST. The charity cannot include the additional tax in the PSB rebate application for a different claim period. For more information on how to adjust a previously filed rebate claim, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate*. A reassessment or additional assessment of a rebate claim shall not normally be made more than four years after the day the application for the rebate was filed.

Example

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

The charity's revenues and expenses are as follows:

Revenues		HST collected
Overnight camps	\$300,000	\$39,000
Donations	\$250,000	\$0
Gift shop sales	\$4,000	\$520
Total HST collected		\$39,520
Expenses		HST paid
Salaries	\$50,000	\$0
Gift shop inventory	\$3,000	\$390
Bank charges	\$600	\$0
Expenses relating to the construction of the dining hall	\$150,000	\$19,500
Food purchases	\$17,500	\$0
Utilities	\$3,500	\$455
General expenses	\$2,000	\$260
Total HST paid		\$20,605

The charity will calculate its net tax as follows:

Step 1

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

Step 2

\$19,500 is entered on line 108 of the GST/HST return as the charity is eligible to claim an ITC for the HST paid on the construction of the dining hall as the real property, including the hall, is used solely by the charity for making taxable supplies. It is not entitled to any other ITCs on the HST it paid.

Step 3

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

PSB rebate calculation

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

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

Therefore, where the charity files and sends together its GST/HST return and PSB rebate application, the following amounts will be entered on its GST/HST return:

- Line 101 (Sales and other revenue): \$554,000
- Line 105 (Total GST/HST and adjustments for the period): \$23,712
- Line 108 (Total ITCs and adjustments): \$19,500
- Line 109 (Net tax): \$4,212
- Line 111 (Rebates): \$770.10
- Line 113 A (Balance): \$3,441.90
- Line 115 (Payment enclosed): \$3,441.90

Further information

All **GST/HST technical publications** are available on the CRA website at www.cra.gc.ca/gsthsttech.

To make a GST/HST enquiry by telephone:

- for **general GST/HST enquiries**, call the **Business Enquiries** line at **1-800-959-5525**;
- for **technical GST/HST enquiries**, call **GST/HST Rulings** at **1-800-959-8287**.

If you are located in **Quebec**, contact **Revenu Québec** at **1-800-567-4692** or visit their website at www.revenuquebec.ca.

The information in this publication does not replace the law found in *the Excise Tax Act* (the Act) and its regulations; it is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate regulation, or contact a GST/HST rulings centre for additional information. A ruling should be requested for certainty in respect of any particular GST/HST matter. Pamphlet RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*, explains how to obtain a ruling or interpretation and lists the GST/HST rulings centres.

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario, New Brunswick and Newfoundland and Labrador, 14% in Prince Edward Island and 15% in Nova Scotia. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, see GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province*.