

HST & Your Fair

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- **CHARITIES AND NOT-FOR PROFITS**
- **WHO NEEDS TO REGISTER FOR THE HST?**
- **HOW TO FILE & REMIT THE HST**
- **INPUT TAX CREDITS**
- **WHAT EXEMPTIONS EXIST FOR NOT-FOR-PROFITS**

Charities & NFPs

Definitions of Charities and NFPs

Definition of a Charity

Charitable organizations in Canada are registered under the Canadian Income Tax Act as either a Charitable organization, public foundation, or private foundation. These organizations must use their resources for purposes that benefit the community; like poverty relief, or advancement of education, or religion.

Definition of a Not-For-Profit (NFP)

An organization, association, or club (that is not a charity) that exists for any reason except profit. (ie. social welfare, civic improvement, recreation, etc.)

PROS & CONS OF REGISTERING AS A CHARITY

- There are pros and cons to being registered as a charity:
- PRO - Can issue tax receipts to individuals
- PRO - Increased credibility due to stricter rules
- PRO - Can sometimes claim rebates on HST
- CON - Stricter rules
- CON - More paperwork
- CON - Complications when winding down or selling property

Who needs to
register?

If the Ag Society is NOT a registered charity:

If the gross taxable revenue is over \$50,000, the Ag Society must be HST registered, and must charge HST on eligible revenues such as gate admissions (unless they are under \$1), vendor space, advertising space, etc.

Some revenues remain exempt from HST such as donations, sponsorships, and some memberships, even if the Society is registered.

If the Ag Society IS a registered Charity:

If the Society provides taxable goods such as admission, AND their gross revenue is less than \$250,000 per year OR their taxable goods (such as admission) are less than \$50,000, then the Ag Society does NOT need to be registered for HST.

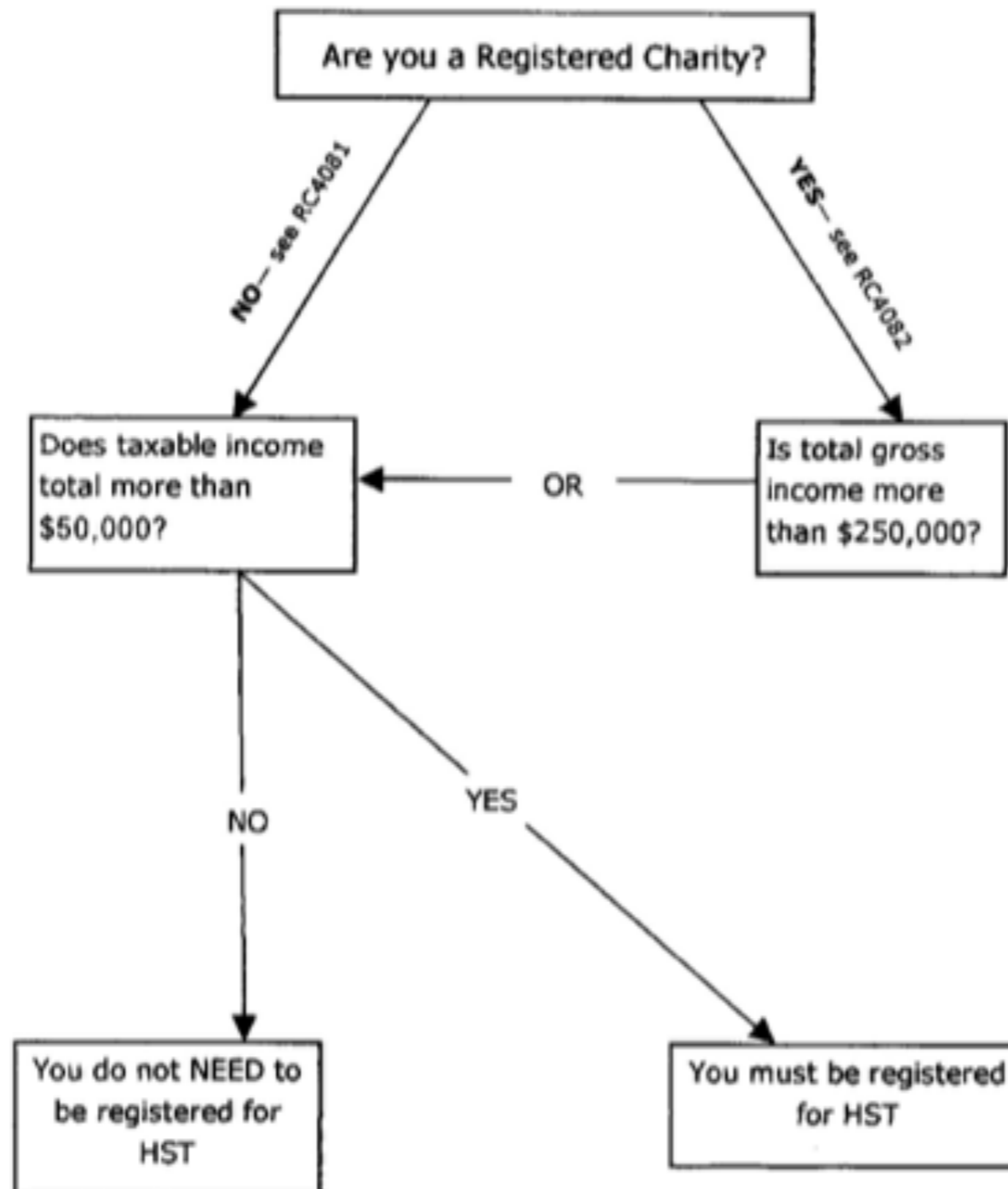
Even if the charity IS registered for HST, most goods and services provided by a charity are exempt from tax with the exception of admission, items purchased to resell at more than their cost or the sale of real property such as buildings or land.

Determining HST Registration

ALL Agricultural Societies are not-for-profit organizations (NPO) ;
incorporated under the Agricultural and Horticultural Act (ON).

Some Ag Societies have Registered Charity status.

Different rules apply to NPO's vs Charities when it comes to HST.



How to File HST

- If you have never filed electronically, go to canada.ca website to get instructions on how to setup your account
- <https://www.canada.ca/en/revenue-agency/services/e-services/e-services-businesses/gst-hst-netfile.html>

HST for Non-Registered Charities

- Charities which are not registered for HST are eligible for partial rebates on HST paid. In Ontario, they can claim 50% of the federal portion of the HST, and 82% of the provincial portion.

- If you are not filing electronically, you can request forms from CRA.

How to Remit HST

There are 3 ways to make a payment:

- remit electronically
- remit at your financial institution in Canada
- send your payment by mail

Remit electronically

You can remit electronically using your financial institution's online or telephone banking services. You do not need a remittance voucher to pay online.

You can also remit electronically using the CRA's **My Payment** option. My Payment lets individuals and businesses make payments online from an account at a participating financial institution, using the CRA website.

Another online option is to authorize the CRA to withdraw a pre-determined payment from your bank account to pay tax on specific dates. You can set up an agreement at **My Business Account**

Remit at your financial institution

GST/HST return filed electronically

If you file your GST/HST return electronically using [GST/HST NETFILE](#) or [GST/HST TELEFILE](#), you can still remit your GST/HST at your financial institution. Use Form RC158, GST/HST NETFILE/TELEFILE Remittance Voucher to pay the amount owing. Do not use the remittance part of your GST/HST return.

Other remittance forms for GST/HST payments include:

- **Form RC159, Remittance Voucher** – Amount Owing, to remit an amount owing or an outstanding balance for a period that has already been assessed
- **Form RC160, Remittance Voucher** – Interim Payments, to remit your instalment payments
- **Form RC177, Remittance Voucher** – Balance Due, to remit an amount owing before you file your return

These remittance forms are not available on the CRA website as they can only provide them in a pre-printed format.

HST return not filed electronically

If you are not filing electronically, you can file your return **and** remit an amount owing at your participating financial institution in Canada.

If you are paying at a financial institution and your return requires attached documentation, you have to send CRA these documents separately.

Exemptions for NPOs

The HST applies to most property and services that non-profit organizations supply. However, certain supplies may be **exempt** when they are made under specific conditions.

INPUT TAX CREDITS

As a non-profit organization that is a HST registrant, you recover the HST paid or payable on the purchases and expenses related to your commercial activities by claiming an ITC.

You cannot claim ITCs for the 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; and
- 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 an ITC such as:

- certain capital property (for more information, see [Capital property](#));
- taxable supplies of property and services bought or imported to provide exempt supplies of property and services;

When can you claim your ITCs?

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 ITC could have first been claimed.

Example

You are a quarterly filer and you buy office furniture in the reporting period January 1, 2015, to March 31, 2015, for which you can claim an ITC. The due date of the return for this reporting period is April 30, 2015. You can claim your ITCs for the office furniture on any future return filed by April 30, 2019.

The time limit for claiming ITCs for a reporting period is reduced from four to two years for non-profit organizations 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 non-profit organizations 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 non-profit organizations would have four years to claim their ITCs.

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 non-profit organization, 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.

Exempt vs Zero-Rated

- Exempt service - CRA does not require HST to be collected, but it also does NOT allow for deduction of HST on inputs.
- Zero-Rated Service - CRA does not require HST to be collected on these but it DOES allow for deduction of HST on inputs

Zero-rated supplies

Some supplies are zero-rated under the HST – that is, HST applies at a rate of 0%. This means that you do not charge HST on these supplies, but you may be eligible to claim input tax credits for the HST paid or payable on property and services acquired 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 goods and services for which you charge and collect the GST/HST in Canada, are zero-rated when exported); and
- many transportation services where the origin or destination is outside Canada.

Exempt supplies

Some supplies are exempt from the HST – that is, no HST applies to them. This means that you do not charge the HST on these supplies of property and services, **and** you are generally not entitled to claim [input tax credits](#) on property and services acquired to provide these supplies. Generally, you cannot register for the HST if your business provides only exempt supplies; one exception is if you are a listed financial institution resident in Canada.

The following are examples of exempt supplies:

- a sale of housing that was last used by an individual as a place of residence;
- long-term rentals of residential accommodation (of one month or more) and residential condominium fees;
- most health, medical, and dental services performed by licensed physicians or dentists for medical reasons;
- 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 per day;
- most domestic ferry services;
- legal aid services;

- 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; or
 - tutoring services made to an individual in a course that follows a curriculum designated by a school authority;
- music lessons;

- most services provided by financial institutions such as lending money or operating deposit accounts;
- the issuance of insurance policies by an insurer and the arranging for the issuance of insurance policies by insurance agents;
- most property and services provided by charities and public institutions; and
- certain property and services provided by governments, non-profit organizations, municipalities, and other public service bodies including municipal transit services and standard residential services such as water distribution.

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**.

Admissions to be a spectator of a performance, athletic, or competitive event are also exempt where 90% or more of the performers, athletes, or competitors are not paid directly or indirectly for their participation other than by government and municipal grants, and reasonable amounts as gifts, prizes, or compensation for travel or other incidental costs.

The admissions will not be exempt if they are for events specifically advertised as featuring paid participants or for events at which professional athletes compete for cash prizes.

Free supplies

Supplies of property and services are exempt when all or substantially all (90% or more) are provided free of charge.

Fund-raising activities

Sales of goods (except alcoholic beverages and tobacco products) are exempt when all the following conditions are met:

- You are not in the business of selling those goods.
- All the salespersons are volunteers.
- The sale price of each item is \$5 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. This is an exempt fund-raising activity.

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.

Bingo & Casino Nights

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 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) 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; and
- the GST/HST, 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 the property 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 \$1.30 HST. Your direct cost is \$11.30. The sale of the T-shirt is exempt if the price you sell it for is not more than \$11.30 and you do not charge the HST 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 HST) and you charge an amount as HST on the selling price, these sales are considered to be taxable sales.

Example:

You buy a T-shirt for \$10 plus \$1.30 HST and sell it to your customer for \$10 plus \$1.30 HST. Since you charged an amount equal to your direct cost not including the HST and charged the HST 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 HST to your customer. In this case, you would have collected the tax in error.

Memberships

Memberships sold by non-profit organizations can be exempt or taxable depending on the type of benefits the members are entitled to. If the memberships sold by non-profit organizations allow 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; or

- **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 or
 - 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

Donations, grants, subsidies, and sponsorships

Donations and gifts

The 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 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 HST, **unless** the property or service is an exempt or zero-rated supply.

Grants and subsidies

As a non-profit organization, you may receive grants, contributions, subsidies, and similar payments (often referred to as transfer payments). Usually, when transfer payments are made in the public interest, or for non-profit purposes, CRA does not regard them as payment for a supply. Therefore, the payment would not be subject to the GST/HST.

However, 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 payment for a supply. If this is the case, and the supply is taxable, the transfer payment may be subject to the GST/HST.

The tax treatment of transfer payments may be complex and will be determined on a case-by-case basis.

Sponsorships

Non-profit organizations often receive sponsorships from businesses to fund their activities. In return, the non-profit organization 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 for advertising services. Therefore, the payment is subject to the GST/HST.

NOTE: Receiving donations, grants, subsidies, and sponsorships does not affect your non-profit organization's entitlement to the GST/HST rebates or ITCs

- Questions?

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