

GST Guide

for Non-Profit Housing Providers

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BRITISH
COLUMBIA



BC Housing

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INTRODUCTION

BC Housing has prepared this guide to help non-profit, co-op and charitable housing providers understand how the federal Goods and Services Tax (GST) applies to non-profit housing operations.

Some housing providers may also provide a variety of other services in the community. How the GST applies to these services is beyond the scope of this guide, although the basic concepts outlined here may apply to other operations as well.

Please note that this guide provides general guidelines, but we cannot guarantee housing providers will correctly apply the GST to their operations as a result. In addition, this guide is based on the legislation (proposed and enacted) and administrative interpretation available as of July 31, 2012.

All of the information contained in this guide is subject to change.

Please contact your accountant if you require additional assistance or contact your Non-Profit Portfolio Manager at BC Housing. You can also visit the Canada Revenue Agency (CRA) website at www.cra-arc.gc.ca for information on the GST. Contact information for the CRA is listed on [page 43](#) in the appendix.

WHAT'S IN THIS GUIDE?

In this introduction, we list the most frequently asked questions about the GST for quick reference. The answers include some GST terminology. Please refer to the Glossary, beginning on [page 39](#), for definitions.

Chapter one outlines GST basics: how the GST works, how to register for the GST, filing GST returns, and revenues that are not subject to GST.

In chapter two, we explain input tax credits (ITCs) and rebates, as well as the amount of rebate you can claim, depending on the rebate status you have with the CRA and how to claim ITCs and claim rebates.

Chapter three describes how to recover the GST paid during construction or renovation, and the GST you are liable for when construction or renovation is complete.

We outline accounting procedures for the GST in chapter four.

Chapter five explains the CRA audit process.

FREQUENTLY ASKED QUESTIONS

Does GST apply to us?

There are three parts to the GST: collecting the tax, paying the tax and recovering the tax.

Collecting GST

You may have to register for the GST if you provide taxable goods and services, such as commercial leases¹:

- Registration is voluntary if your annual revenues from taxable goods and services are less than:
 - \$50,000 for charities and non-profits; and
 - \$30,000 for all other organizations.
- Organizations with annual revenues from taxable goods and services above these thresholds must register for the GST, except charities with less than \$250,000 per year in revenues, which can opt not to register.
- A registered organization must charge GST on any taxable goods and services it provides, regardless of the amount of revenues received from such activities.

Paying GST

Generally, GST applies to most property and services acquired by housing providers. Being a charitable or non-profit housing provider does not provide an exemption from the tax. However, some groups or organizations, such as certain provincial and territorial governments and Indian bands, do not always pay GST on their purchases.

Recovering GST

There are two mechanisms for recovering the GST: claiming ITCs and claiming rebates.

Only organizations registered for the GST can claim ITC to recover the GST paid to acquire taxable goods and services. When ITCs cannot be claimed, either because the organization is not registered or because costs incurred relate to exempt activities, qualifying organizations can claim partial rebates of the GST they pay.

Your organization does not have to be registered for GST in order to claim rebates. However, if you are not registered, you can only claim rebates semi-annually or annually. If registered, you simply file rebate claims based on your GST reporting period (i.e. monthly, quarterly or annually). If you file quarterly or annually and are registered, you can elect to file monthly to recover your GST you paid more quickly.

See chapter two, beginning on [page 15](#), for more on ITCs and rebates.

You cannot register for the GST if you do not provide any taxable goods and services. For example, if you only provide residential accommodation for periods of a month or more, you cannot register, as this service is GST exempt. Conversely, if you are registered because you previously provided taxable goods

¹ Commercial leases by charities are generally exempt unless the charity makes an election to treat them as taxable.

and services, and anticipate doing so again in future, you are not required to de-register.

See [page 11](#) for more information on registering for GST.

Do we have to register for the GST for new construction?

BC Housing requires you to register for the GST as soon as you initiate a new housing project, because registering allows you to claim input ITCs for a refund of the GST you pay on construction costs.

What is the difference between an input tax credit and a rebate?

If you are registered for the GST, you can claim an ITC to recover all the GST you pay on purchases related to any taxable goods and services you provide. The ITC is a refund of the full amount of the GST. If you are not registered, you cannot claim ITCs.

However, you may be eligible to claim a rebate on some of your purchases if you are a charity, a qualifying non-profit organization, or have municipality status. The rebate is a percentage of the GST paid, depending on the status of the housing provider and the nature of the housing provided. You do not have to be registered in order to claim a rebate.

Refer to chapter two on [page 15](#) for more information on rebates and ITCs.

What is the difference between a charity, a designated municipality and a qualifying non-profit organization?

Charity

For GST purposes, you have charity status only if you are a registered charity, with a registration number issued by the CRA.

Charities are eligible to claim a 50 per cent rebate of the GST paid on purchases, regardless of whether you are registered or not, when the GST cannot be recovered through ITCs or a larger municipal rebate (see next section below).

Municipality Status

Under GST legislation, the CRA may grant municipal status to a housing provider who provides rent-geared-to-income (RGI) housing. This status allows you to claim a rebate of 100 per cent of the GST paid on expenses incurred in providing this housing. You must apply for municipality status, and the CRA will determine whether your organization meets the criteria for municipal designation.

Qualifying Non-Profit Organization

To be a qualifying non-profit organization, you must receive at least 40 per cent of total revenues from government funding. A qualifying non-profit organization can claim a rebate of 50 per cent of the GST paid on purchases.

(See [page 16](#) for more information.)

What are some examples of government funding?

The following sources qualify as government funding:

- Federal, provincial or municipal governments.
- A corporation controlled by the federal government, a provincial government or a municipality that funds charitable or non-profit endeavors as one of its main purposes.
- A trust, board, commission or other body established by the federal government, a provincial government or a municipality that funds charitable or non-profit endeavors as one of its main purposes.
- An Indian band, as defined by federal legislation.

Consequently, funding from BC Housing, Canada Mortgage and Housing Corporation (CMHC), a regional health authority, or a provincial ministry qualify as sources of government funding. You must obtain a certificate from a health authority certifying that the payments are government funding. (See [page 19](#) for more on the government funding test.)

We only incur \$20,000 a year on taxable expenses. Why should we bother accounting for the GST?

In the current climate of limited budgets and resources, the amount you recover could be significant to your organization.

If the amount of the rebate does not justify spending considerable time recording the GST transaction by transaction, you can use a simplified approach to save time. Simply add up all the GST paid during your reporting period from your invoices, and claim the rebate at the appropriate rate on that amount. If you are not registered, you can file the rebate claim once a year.

How do we record the GST?

Expenditures

If you are entitled to a rebate or an ITC, deduct the amount of the rebate or ITC from your total purchase cost, and record it as an asset (ITC or rebate receivable) on the balance sheet. The amount to record under operating expenses should be the net cost to you.

For example, if you are entitled to claim an ITC:

- Your total purchase is \$105
- \$5 is the GST
- Record \$100 in operating expenses
- Record \$5 as a GST ITC receivable

If you are entitled to claim a 50 per cent rebate:

- Record \$102.50 in operating expenses
- Record \$2.50 as a GST rebate receivable

Revenues

The amount of GST you charge should not be recorded as part of your revenues. Record this amount as a payable (GST payable) on the balance sheet. For example:

- You have taxable revenues of \$200
- \$10 is the GST you must charge
- \$210 is the total amount you collect
- \$10 should be recorded as GST payable
- Record the net \$200 as revenue on the income statement

(Refer to chapter four, beginning on [page 33](#), for more on GST accounting.)

Will a new building or a change in operations affect our GST status?

Developing a new building or making a change in your current operations may affect your existing GST status. Consult your accountant or the CRA about the impact on your status before embarking on any building projects or changes.

Let's say you currently have municipality status for all of your rent-geared-to-income (RGI) units, and are converting some units to non-RGI units. Municipality status does not apply to these converted non-RGI units, so you would no longer be able to claim a municipal rebate on costs relating to the non-RGI units.

Charitable status would not be an issue, as long as the purpose of a new building falls within the types of activities included in the purpose of the charity.

In addition, most charities must allocate donated funds in the year the donations are received. If donated funds are being used to finance a project and are a significant portion of the total annual funds you receive, you may have to obtain special permission from the CRA to allow you to accumulate sufficient funds beyond that year to complete the project.

Funding sources for a new project must be reviewed by non-profit organizations to ensure you continue to meet the 40 per cent government funding test in order to claim a rebate as a qualifying non-profit organization.

(See [page 19](#) for more information on the 40 per cent funding test.)

How do I change my GST filing period when a development starts, and then again when it is over?

During construction, it's a good idea to file monthly so you can recover the GST you pay on building expenses as soon as possible. When the building is complete, you may opt to file less frequently.

You initially choose your filing period when you register for the GST. Later, you can change your GST reporting period by submitting a [GST form 20, Election for GST Reporting Period](#). A copy is included on [page 53](#) of the appendix.

The change can only take effect at the beginning of your fiscal year. The election must be filed no later than two months after the day it is to take effect. For example, let's assume you currently file annually using a calendar year, so your fiscal year starts January 1st.

- You are planning to start a new housing project in April of the following year, with completion in October, and want to file monthly during construction.
- You must submit the election form by the end of February in the construction year (two months after your fiscal year starts).
- To return to annual filing the year after construction, you must submit another request by the end of February the following year.

See [page 12](#) for more on changing your GST filing frequency.

The CRA often tells us to de-register. What does that mean?

The CRA likely assumes your organization no longer has any taxable activities and no intent of engaging in taxable activities in future. If this assumption is accurate, then you are no longer required to be registered, and the CRA can cancel your GST registration. However, CRA's assumption may not be correct because:

- Your organization may be involved in taxable activities the CRA is not aware of; or
- You may be planning some taxable activities in the foreseeable future, such as developing another non-profit housing project; or you may have completed a building but have not yet claimed all the ITCs claimable.

In these situations, you should insist your organization remain registered.

Can we claim both an input tax credit and a rebate on the same building?

You cannot file a claim to recover the same GST as both a rebate and an ITC. However, there may be situations where you can claim part of the GST incurred on a particular expenditure as an ITC, and a portion or all of the balance as a rebate. For example:

- You are registered for the GST.
- You operate a four-storey facility where the bottom floor is commercial space and you collect GST on the rent, and the top three floors are residential.
- You incurred a \$1,000 expense related to the whole facility with \$50 GST.
- You would be entitled to claim an ITC for 25 per cent of the GST you paid, since the commercial space uses 25 per cent of the building area ($\$50 \times 25\% = \12.50).
- And you could claim either a:
 - 50 per cent rebate, as a charity or qualifying non-profit, on the remaining GST: ($\$50 \text{ GST} - \$12.50 \text{ ITC} = \$37.50 \times 50\% \text{ rebate} = \18.75), or
 - 100 per cent rebate, if you have municipality status and you provide RGI units, on the remaining GST: ($\$50 \text{ GST} - \$12.50 \text{ ITC} = \$37.50 \times 100\% \text{ rebate} = \37.50).

See [pages 23 - 26](#) for information on claiming rebates and ITCs.

We rent out our meeting space sometimes. Does that mean we have commercial activities and should charge GST?

Generally renting meeting space is considered taxable, regardless of whether the space is in a commercial or residential area, and you would have to charge GST. However, there are two exceptions:

- If you are a small supplier and are not registered for the GST, you are not required to charge GST.
- If your organization is a registered charity, meeting room rentals and commercial leases are exempt, unless your organization is registered for the GST and either of the following conditions exist.
 - You have elected to make these transactions taxable by filing *GST form 26, Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply Form*. (A copy of this form is included on [page 57](#) in the appendix.) Choosing to make these transactions taxable means you must charge GST, but are also entitled to claim ITCs on costs relating to these transactions.
 - You have designation as a municipality and the room rentals are in a building with RGI units.

See [page 22](#) for more information on taxable activities.

Canada Revenue Agency Audits

The CRA auditor will usually want to review your operations and test a sample of transactions. A four-year period is open to audit, although the auditor may review a shorter period (typically two years). If you have developed a new housing project during the audit period, the CRA will probably review the GST accounting for the project. When the audit is done, the auditor will give you a copy of the proposed assessment, and give you 30 days to respond with any further information you may have regarding the assessment. Additional time may be granted upon request.

When the audit is complete, a notice of assessment will be issued. Any tax owing, plus interest and penalty, is due and payable upon issuance. You have 90 days to appeal an assessment.

If you are being audited on a new housing project, or you are assessed on a new development, please advise your Non-Profit Portfolio Manager and the Director, Finance at BC Housing. See [page 38](#) for more on CRA audits.

CHAPTER 1: Some Basics on PST and GST

How Does the PST Apply?

PST is a retail sales tax that is payable when a taxable good or service is acquired for personal use or business use, unless a specific exemption applies. PST generally applies to:

- The purchase or lease of new or used goods;
- Goods brought into BC for use in BC;
- The installation, repair or maintenance of goods (for example, vehicle maintenance, furniture assembly, computer repair);
- The purchase of telecommunication services including internet access, non-basic cable, non-residential telephone services, cell phone use, satellite services and facsimile services; and
- The purchase of legal services.

The PST also applies to hotel accommodation at a rate of 8 per cent (or 10 per cent in designated municipalities). Previously hotel accommodation was taxed under a separate act.

What goods and services are exempt from PST?

The Provincial Sales Tax Act does not impose tax on things such as:

- All food for human consumption (e.g. basic groceries and prepared food such as restaurant meals);
- Most services (e.g. personal services such as haircuts, dry cleaning, funeral services);
- Bicycles;
- Newspapers and magazines;
- Real property (residential housing or commercial real estate);
- Admissions and memberships;
- Services, other than those specified above;
- Intangible personal property (other than software); and
- Goods acquired for resale, lease or further manufacture.

How the GST Works

The GST is a 5 per cent tax that is charged on most property and services supplied² in Canada.

Here's how the GST works. Most businesses charge 5 per cent GST on taxable property and services they provide, and pay GST on expenses such as inventory purchases, space rentals and various services used in operating the business. The business is allowed to claim a refund of all GST incurred on these purchases, which is called an ITC.

This also applies to housing providers who provide taxable goods or provide taxable services, and are registered for the GST. If you are registered for the GST, you must charge GST on any taxable supplies you make, and can recover the GST you paid on expenses related to these goods and services (the ITC).

The difference between the GST you charged and the GST you paid is the net tax. If the amount of GST you charged is higher than the GST you paid, you pay the difference to the CRA, which administers tax laws for the federal government and most provinces. If the amount of GST you charged is less than the GST you paid (the ITCs), you can claim a refund.

Certain supplies are exempt from the GST. If you supply exempt goods and services, you cannot claim an ITC to recover the GST you paid on expenses related to the exempt goods and services. For example, exempt supplies include residential accommodation of a month or longer³. You are not required to charge GST on these rentals, and cannot claim an ITC for the GST incurred in providing the rental accommodation, such as repair and maintenance costs. Exempt supplies are explained in more detail on [page 13](#).

GST Example

The following example illustrates how the GST works:

A housing provider who is registered for the GST rents out commercial office space. In order to provide this space, the housing provider incurs expenses for utilities and office supplies. The taxable revenues and expenses are as follows:

Taxable revenues:

Commercial rent.....	\$2,000
GST collected (\$2,000 x 5%).....	\$100
Total.....	\$2,100

Taxable expenses:

Utilities.....	\$500
Office supplies.....	\$50
Subtotal.....	\$550
GST paid on taxable expenses (\$550 x 5%).....	\$27.50

Net tax to remit = GST collected less GST Paid (ITC)

\$100 - \$27.50 = \$72.50

² The term "supply" is broadly defined to mean the provision of property and services by any means including sale, lease, license or gift.

³ Short-term rentals where the daily rate does not exceed \$20 per day are also exempt

GST Registration

Organizations that provide taxable goods or services in Canada, with annual taxable revenues that exceed a specific threshold, must register for the GST. The threshold is \$50,000 for public service bodies ⁴ and \$30,000 for all other organizations. (Zero-rated goods and services are included in this total revenue calculation, and are explained on [page 13](#).)

The term “public service body” includes non-profit organizations, registered charities, municipalities, school authorities, public colleges, universities and hospital authorities.

Small Suppliers

A small supplier generally means a business or organization with annual revenues from taxable goods and services of less than \$30,000. The threshold for housing providers and other public service bodies is \$50,000. Organizations with annual taxable revenues below these thresholds are not required to register for the GST. In addition, charities with total annual revenues (including donations and grants) of less than \$250,000 are not required to register, even if their taxable annual revenues exceed \$50,000.

Small suppliers, however, can choose to register voluntarily, if you have some revenues from taxable goods and services. If you register, you are required to charge GST on any taxable goods or services you provide. Generally, the benefit in registering is the ability to recover additional amounts of GST.

New Non-Profit Housing Projects

All housing providers developing new non-profit housing projects or substantially renovating a residential complex must register for the GST before the start of construction, even if you are a small supplier. Registration increases the amount of GST you can recover, and can allow you to recover it more quickly.

Substantial renovation is considered new construction and generally requires 90 per cent or more of the interior of an existing residential building to be renovated or altered.

If you are not registered, you cannot claim ITCs on the GST you pay on construction materials and services. But as soon as you register, you can begin claiming these ITCs, which are significant during construction. Once registered, you also have to charge GST on any taxable goods and services you provide.

When you register, you can choose to file your GST return annually, quarterly or monthly, provided your annual revenues from taxable goods and services are less than \$1,500,000. However, we recommend you file monthly during construction to claim your ITCs as soon as possible.

⁴ Public service bodies include charities and non-profit organizations as well as municipalities, schools and health authorities

How to Register for GST

The CRA assigns a nine-digit account number to your organization, called a business number (BN), to deal with various types of business accounts. Different types of accounts are identified by the following letters:

- **RP** - A payroll account number has the nine-digit business number, followed by the letters “RP” to denote a payroll account, and another four-digit number, which is generally “0001,” unless the organization has more than one payroll account.
- **RT** - A GST account number has the same nine-digit business number, followed by the letters “RT” to denote a GST account, and the four-digit suffix (e.g., 12345 6789 RT 0001).
- **RR** - Similarly, a charity account number has the same nine-digit business number, followed by the letters “RR,” and the four-digit suffix number, which is also generally 0001.

Housing Providers without a Business Number

If you do not already have a business number, you need to complete [GST form RC1, Request for a Business Number](#), and submit it to your local CRA office, along with a copy of your certificate of incorporation, if you are incorporated under the Business Corporations Act, Society Act or Cooperative Association Act. A copy of this form is included in the appendix on [page 45](#).

If you do not know whether your organization has a business number, you can check the CRA website or telephone the Agency directly. See [Page 43](#) for contact information.

Housing Providers with a Business Number

If you already have a business number but are not registered for the GST, you need to complete and submit [GST form RC1A, Business Number \(BN\) - GST/HST Account Information](#), to register. You'll find a sample form on [page 51](#) of the appendix.

A common error people make is to assume having a business number means the organization is registered for the GST. For example, a charity may have a BN for its payroll and charity status, but not be registered for the GST.

Your organization is only registered for the GST once you apply to register and receive a BN with an “RT” extension (e.g., 12345 6789 RT0001) from the CRA. This separate GST business number is needed for filing GST returns.

Filing GST Returns

GST registrants (organizations that are registered for the GST) are required to file GST returns. The filing period is based on an organization's annual taxable revenues, but registrants can elect to file more frequently.

Housing providers generally have less than \$1,500,000 in annual taxable revenues, and as a result, are only required to file annual GST returns. However, if your society incurs significant amounts of GST, we recommend filing on a monthly or quarterly basis during development to recover the GST you pay more quickly.

Electing or Changing Filing Frequency

The CRA uses the term election to indicate when an organization can choose among certain reporting options. These options allow you to adapt GST requirements to your activities, and each election has eligibility requirements.

When you first apply for a business number, you can choose, or elect, to file GST returns monthly, quarterly or annually, depending on your annual revenues from taxable goods and services, by checking the appropriate box in section B3 of the application [Form RC1, Request for a Business Number](#). (See the sample form on [page 45](#).)

If you already have a BN, but are applying for a GST number, select monthly, quarterly or annual GST filing by checking the appropriate box in section four of the [GST form RC1A, Business Number \(BN\) – GST/HST Account Information](#). (See the sample form on [page 51](#).)

If you already have a GST number and filing period, you can change the filing frequency by submitting a [GST Form 20, Election for GST/HST Reporting Period](#). (A sample form is included on [page 53](#) of the appendix.) This form asks for your current reporting period and the alternate filing period you wish to elect.

The change can only take effect at the beginning of your fiscal year. The election must be filed no later than two months after the day it is to take effect, in most instances. For example, assume you filed annually in 2012 using a calendar year, so your fiscal year starts January 1st. You must submit this form before the end of February 2013 to file monthly in 2013 and subsequent years. However, if you want to change from quarterly to annual filing, you have three months after the beginning of your fiscal year to submit the form.

Revenues/Receipts Not Subject To GST

Most businesses charge GST on most of their revenues. However, there are exceptions where the GST is not charged. These exceptions fall into four categories: payments not exchanged for goods and services, zero-rated goods and services, exempt goods and services, and non-taxable goods and services.

1) Payments Not Exchanged for Goods or Services

In some cases, a housing provider, particularly in the non-profit or public sector, may receive a payment that is not being exchanged for goods or services. The most common examples include:

- Grants
- Donations
- Subsidies

These payments are a voluntary transfer of money or contribution given to the housing provider, and the person paying the amount does not receive any benefits, services or goods in return. The GST does not apply to these types of receipts.

2) Zero-Rated Goods and Services

The term zero-rated means the goods or services are considered taxable, but tax is charged at zero per cent, so no tax is actually collected. Consequently, an organization providing zero-rated goods and services does not collect any GST. However, the organization can still claim an ITC for the GST paid on expenses, because the goods and services are classified as taxable. Common categories of zero-rated goods and services include:

- Prescription drugs
- Medical devices
- Basic groceries
- Certain agricultural and fishing goods
- Exported goods and services
- Certain international transportation services

This list includes general categories. The GST legislation contains more detail for determining whether a particular item is zero-rated or not. However, housing providers are not generally involved in providing zero-rated goods or services.

3) Exempt Goods and Services

The GST does not apply to goods and services that are designated exempt in the GST legislation. You do not charge GST when you provide exempt services.

The main difference between exempt and zero-rated goods and services is that organizations providing exempt goods and services cannot claim an ITC. However, you may be able to claim a rebate for part or all of the GST paid on purchases. (Rebates are explained on [page 15](#).)

For example, renting residential accommodation for periods of at least one month is considered exempt, regardless of who provides the accommodation. This exemption affects most non-profit housing providers.

The following housing related services are also exempt:

- Residential condominium services
- Short-term residential accommodation, if the charge is not more than \$20 per day
- Accommodation of less than one month provided to relieve individual poverty, suffering or distress
- Parking leases with residential or condominium tenants, when the parking space comes with the residence

Other types of exempt services include:

- Most educational and health care services
- Most governmental services
- Financial services
- Child care services

4) Non-Taxable Goods and Services

Certain types of goods and services are deemed non-taxable. As with exempt goods, the GST is not collected on these revenues, and the person providing these goods cannot claim any ITCs for GST paid on expenses. The most common example is goods provided by unregistered small suppliers or individuals who are not involved in commercial activity, such as making crafts or holding garage sales.

From a consumer's point of view, there is no difference between zero-rated, exempt or non-taxable goods and services, because no tax is paid for any of these supplies. The primary difference is that a GST registrant can claim ITCs for GST incurred on expenses related to making zero-rated goods and services.

CHAPTER 2: RECOVERING GST

There are two mechanisms for recovering the GST an organization pays on any taxable goods and services: claiming ITCs and claiming rebates.

Input Tax Credits

You will pay GST on most purchases and expenses related to taxable activities. Generally, an organization registered for the GST is entitled to claim an ITC for 100 per cent of the GST paid on expenses related to taxable goods and services (including zero-rated). You claim your ITCs on the GST return.

Rebates

Organizations that provide exempt goods and services cannot claim ITCs for GST incurred on expenses related to these goods and services. The same applies to non-taxable goods and services, if the organization is a small supplier who has not registered for the GST. However, you may qualify for a rebate of the GST in these situations. A rebate is a full or partial refund of the GST that you claim on a rebate claim form.

The following rebates are available to different types of organizations:

Charities (see page 19).....	50%
Qualifying non-profit organizations (see page 19)	50%
Schools	68%
Universities/colleges.....	67%
Hospital authorities	83%
Municipalities (see page 16)	100%

These types of organizations often provide exempt goods and services, meaning they do not collect GST on their revenues, and cannot claim an ITC for any GST they incur related to the exempt revenues. Please note that the definition of public services bodies includes, charities, non-profit organizations, municipalities, universities, public colleges, school authorities, or hospital authorities.

Qualifying for Rebates

Housing providers pay GST on many expenses. To qualify for a rebate for some or all of the GST paid, two criteria must be met:

- › Your *development* must qualify for a rebate, and
- › Your *organization* must qualify for a rebate.

Qualifying Developments

To claim a partial or full rebate of the GST incurred on non-profit housing-related expenses, at least 10 per cent of the units in the development must be provided to one or more of the following groups:

- Seniors
- Youth
- Students
- Individuals with a disability or otherwise in need of assistance
- Individuals whose eligibility for occupancy depends on a means or income test.

Most of the non-profit housing developments BC Housing funds meet one of the criteria to qualify for a rebate.

Qualifying Organizations

Your organization's status becomes relevant in determining how much of a GST rebate you can claim.

Three categories of GST rebates can apply to housing providers: designated municipalities, registered charities and qualifying non-profit organizations.

1) Designated Municipality

The CRA considers certain types of non-profit housing to be a municipal activity. Specifically, the CRA will designate housing providers who deliver rent-g geared-to-income (RGI) housing to be municipalities for GST rebates. Once designated as a municipality, a housing provider can claim a rebate of 100 per cent of the GST incurred in providing RGI housing.

All housing providers who supply RGI units should apply for the municipal designation as soon as possible, because you can claim a rebate for 100 per cent of the GST you incur on expenses related to providing RGI housing, after receiving municipal status.

However, if you are also a charity or a qualifying non-profit organization, you can claim a 50 per cent rebate of the balance of the GST incurred on your expenses. If you are not a charity or a qualifying non-profit, no rebate can be claimed on the balance. (Charities and non-profits are explained in the next two sections.)

Eligibility Criteria for Municipal Status

An organization may be designated as a municipality if it meets all of the eligibility criteria listed below:

1. The organization is a charity, a co-operative housing corporation, a non-profit organization or a public institution;
2. The organization supplies long-term residential accommodation within a program to provide housing to low- to moderate-income households;
3. More than 10 per cent of the housing units in a particular housing project are provided on a RGI basis; and
4. The organization receives funding from a government or municipality to assist it in providing the accommodation within a program to provide housing to low- to moderate-income households.

The CRA considers the supply of long-term residential accommodation to mean the rental of self-

contained housing units for periods of one month or more. A self-contained housing unit is considered to be private living quarters that includes cooking facilities and a bathroom.

Once designated as a municipality, a housing provider can claim a rebate of 100 per cent of the GST incurred in providing RGI housing. The municipal rebate only applies to the GST you pay on expenditures related to the supply of RGI housing. For example, if 60 per cent of the units are RGI, and 40 per cent are non-RGI, you can only claim the 100 per cent rebate for the GST on operating expenses for the 60 per cent RGI units. However, if you are also a charity or a qualifying NPO, you can claim a 50 per cent rebate on the balance of the GST incurred on your expenditures (to the extent an ITC may not be claimed). If you are not a charity or a qualifying NPO, no rebate can be claimed on the balance.

The CRA only approves a municipal designation when proof of subsidy is available, generally in the form of a signed operating agreement.

Once a society has municipal designation, that designation applies to all projects associated with that society, but again only to the extent that the society is supplying RGI housing.

Example of Rental Accommodation that Meets Criteria

A non-profit organization owns and operates a rental apartment building for seniors. All of the building's units are provided on a RGI basis for periods of one month or more and each unit contains full cooking facilities and a bathroom. Tenants may purchase housecleaning services or on-site meals from the non-profit organization, but these services are optional and the housecleaning and meal fees are not included in the rent. There is no requirement in the lease or in any other agreement for tenants to purchase either housecleaning services or meals from the landlord. In this situation, the non-profit organization is providing eligible accommodation for the purpose of municipal designation and therefore meets the eligibility criteria.

Accommodations That Do Not Meet Criteria

Rental accommodation is not considered to be eligible if it includes, or must be supplied with other services such as meals, health care services, personal care services, laundry services, or housecleaning services because these services are considered to be provided in a program that is broader than providing housing to low- to moderate-income households. This would be the case whether the services are supplied directly by the housing provider, or by a third party.

In some situations, the supply of accommodation is made by one organization and the supply of non-optional services related to the accommodation is made by another organization. Where there is a link between the services provided by these organizations – for instance, tenants are eligible for housing only if they are also eligible for the specific services offered in conjunction with the housing – then the activities of the organization providing the accommodation take place in a program that is broader than a program to provide housing to low- to moderate-income households. Therefore, the organization providing the accommodation is not providing eligible accommodation for the purpose of municipal designation.

Examples of Accommodation That Does Not Meet Eligibility Criteria

1. A charity has constructed and operates an assisted living facility. The facility contains studio and one-bedroom apartments equipped with a bathroom and cooking facilities. These apartments are leased for periods of 12 months at a time.

The charity has entered into a funding agreement with a provincial housing agency under a provincial program to provide a middle option between home care and residential care. The common goal of both

parties is to provide reliable and affordable non-market housing and a range of other services to low- and moderate-income seniors or persons with a disability.

The charity has also entered into an assisted living agreement with a local health authority, under which the charity will provide residents with hospitality and other services described in the agreement in addition to the accommodation. The hospitality services include daily meals and snacks, a weekly housecleaning service and linen service of residents' towels and bed linens. Other services include assistance with the activities of daily living such as bathing and dressing as well as monitoring and distributing residents' medication.

The nature of the facility, the level of dependency of the residents and the range of non-optional services provided by the charity are considered to be part of a program that is broader than a program to provide housing to low- to moderate-income households. Accordingly, the charity is not providing eligible accommodation for the purpose of municipal designation and does not meet municipal status eligibility criteria.

2. A non-profit organization has entered into an agreement with a provincial government as part of a government program to assist persons who are homeless or at risk of becoming homeless. Under the agreement, the non-profit organization owns and operates transitional housing for individuals in recovery from addictions. Each resident has his or her own bedroom and shares a bathroom with two other residents. Food is purchased by the organization for meals to be prepared on-site by residents and staff in a communal kitchen and consumed in a communal dining room. Residents may leave the premises at any time, but prior arrangements have to be made with the overnight staff to access the building during evening hours.

The staff work with residents to develop individualized support programs that may include referral to community support organizations. Residents are provided with addiction counselling, life-skills training and employment and education programs.

The nature of the facility, the level of supervision and the range of services provided by the non-profit organization are considered to be part of a program that is broader than a program to provide housing to low- to moderate-income households. Accordingly, the non-profit organization is not providing eligible accommodation for the purpose of municipal designation and therefore does not meet the eligibility criteria.

3. A non-profit organization owns and operates a rental apartment building and all of the building's units are self-contained (contains a bathroom and cooking facilities) and provided on a RGI basis for periods of one month or more. The units are occupied by individuals who have chronic health issues. The non-profit organization signs an agreement with a charity whereby it is agreed that in order to be eligible for residency in the building, tenants must receive health care services and personal care services from the charity. All of the building's units are subject to this agreement.

Even though the non-profit organization supplies accommodation, the range of non-optional services provided to tenants is outside the scope of independent living and qualifying activities contemplated by the municipal designation process, even if the services are provided by a third party. The degree of interconnectedness between the accommodation provided by the non-profit organization and the services provided by the charity to the tenants indicates that the program in which the housing takes place is broader than a program to provide housing to low- to moderate-income households. Accordingly, the non-profit organization is not providing eligible accommodation for the purpose of municipal designation and does not meet the eligibility criteria.

Applying for Municipal Designation

You must send a letter to requesting municipal status to the CRA to obtain a municipal designation. A sample letter is included on [page 57](#) of the appendix.

The CRA only approves a municipal designation when proof of subsidy is available, generally in the form of a signed operating agreement. Your operating agreement is usually available when project commitment occurs. Housing providers developing new projects should apply for designation at the project commitment stage to ensure you can claim the highest possible rebate when the project is completed.

Please note that a housing provider does not have to be a registered charity or qualifying non-profit organization (see below) in order to be designated as a municipality.

2) Registered Charities

For GST purposes, registered charities must have a registration number issued by the CRA. Housing providers who are registered charities are entitled to claim a rebate of 50 per cent of GST that cannot be recovered by claiming ITCs, or municipal rebates if the charity has been designated as a municipality (see [previous section](#)).

If you are not a registered charity, the only other way to claim a 50 per cent GST rebate is as a qualifying non-profit organization (see [next section](#)).

To learn more on how to qualify and apply to be a registered charity, refer to [CRA Guide T4063, Registering a Charity for Income Tax Purposes](#), or visit the CRA website at www.cra-arc.gc.ca.

3) Non-Profit Organizations

Non-profit definition

The GST legislation defines a non-profit organization as:

"...a person (other than an individual, an estate, a trust, a charity, a public institution⁵, a municipality or a government) that was organized and is operated solely for a purpose other than profit, no part of the income of which is payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder thereof."

Government Funding Test

Qualifying non-profit organizations are entitled to claim rebates. Qualifying non-profits can claim a rebate of 50 per cent of any GST paid that cannot be claimed as an ITC.

To qualify, a non-profit organization must receive at least 40 per cent of its total revenues from government or a qualifying agency, including BC Housing, Canada Mortgage and Housing Corporation (CMHC), or a regional health authority.

Health authorities must supply a completed [GST Form 322, Certificate of Government Funding](#), certifying that the funding qualifies as government funding.

The following sources qualify as government funding:

- Federal, provincial or municipal governments.
- A corporation controlled by the federal government, a provincial government or a municipality that funds charitable or non-profit endeavors as one of its main purposes.

⁵ A public institution means a school, college, university, hospital or local authority that is also a charity.

- A trust, board, commission or other body established by the federal government, a provincial government or a municipality that funds charitable or non-profit endeavors as one of its main purposes.
- An Indian band, as defined by federal legislation.

Government funding does not include payments for other goods and services sold to the government, such as land, consulting services or educational seminars.

Calculating your government funding ratio

The ratio of government to total funding is calculated using the following formula:

$$GF \div (GF + A + (.75)B) \times 100\%$$

GF = the amount of government funding received or receivable during the year, as reported in the housing provider's annual financial statements.

A = the total of any income from interest or dividends, capital contributions to the housing provider, and loans from parties who are not at arm's length from your organization.

B = total revenue from goods or services supplied by the housing provider, including memberships and sponsorships.

The example below illustrates how to apply the 40 per cent funding test to determine if a non-profit organization qualifies for the rebate:

ILLUSTRATION OF 40% FUNDING TEST CALCULATION

1) Government Funding

- BC Housing subsidy	\$50,000	
- CMHC subsidy	\$50,000	
Total subsidies	<u>\$100,000</u>	GF

2) Investment Income

- Interest income	\$1,000	A
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3) Other Revenues

- Rental revenue	\$150,000	
- Commercial leases	\$20,000	
- Commercial parking	\$5,000	
- Laundry	\$3,000	
- Meeting room rental	\$2,000	
Subtotal	<u>\$180,000</u>	
25% Reduction	<u>(\$45,000)</u>	<u>\$135,000</u> B

Total	<u>\$236,000</u>	
Percentage of government funding	<u>42%</u>	= [GF / (GF + A + B)]
		= \$100,000 / \$236,000 x 100

First year of operations

New housing providers usually cannot qualify for the 50 per cent rebate until the end of the first year. If the 40 per cent funding test is met using the first year's financial statements, your organization will be deemed qualified, effective the beginning of that first year. You can then claim the rebate retroactively for that first year.

In certain circumstances, if you can demonstrate that the 40 per cent government funding threshold will be met, based on funding agreements and operating budgets, CRA may allow you to qualify within the first year, rather than waiting until the fiscal year-end. Contact the CRA to find out if this condition applies to you.

Second year of operations

If this is your second year of operations, you will qualify for the 50 per cent rebate if you met the 40 per cent government funding test in either the first year or second year of operations.

Three or more years of operations

If you have been operating for more than two years, you will qualify for the 50 per cent rebate if the average of the two preceding years is 40 per cent or more, or the government funding test is met at the end of the current year.

Using these guidelines, housing providers do not necessarily have to meet the 40 per cent government funding test every year in order to qualify for the 50 per cent rebate. For example, a housing provider who met the funding test in each of the first two years, but not the third, would qualify for the rebate in all three years.

The majority of non-profit housing providers funded by BC Housing and CMHC do qualify as non-profit organizations under GST legislation, although some larger groups have other sources of funding and donations and may not meet the 40 per cent government funding test. If a non-profit organization does not receive the necessary 40 per cent government funding to qualify, the other option is the municipal or charity rebate, if eligible.

A qualifying non-profit organization may be eligible to claim both the municipal rebate, if you have municipality status (see [page 16](#)), and the qualifying non-profit rebate. Some of your units may be eligible for the 100 per cent municipal rebate, and other units for the 50 per cent qualifying non-profit rebate.

GST Status of Non-Profit Housing Revenues

Non-profit housing providers receive revenues that can include:

Non-Taxable Revenues

- › Grants
- › Donations

Exempt Revenues

- › Residential unit rentals
- › Residential parking
- › Residential laundry (user operated)
- › Interest or other investment income

Taxable Revenues

The following revenues are potentially taxable:

- › Leases of commercial space for offices or retail use.
- › Commercial parking rentals (to people who are not residents).
- › Meeting room rentals, regardless of whether the room is located in residential or commercial space.

Whether these revenues are taxable depends on your organization's circumstances:

- › If your organization is not registered for the GST and is not required to be registered as a small supplier, then these revenues are not taxable.
- › If your organization is a registered charity and is registered for the GST, then all of these revenues are exempt, unless you have made an election using [GST form 26, Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply Form](#). A sample form is included on [page 57](#) in the appendix.
- › If your organization is a non-profit and is registered for the GST, then the commercial parking and room rentals are taxable. The commercial leases will also be taxable, if you make an election using GST form 26.

If you elect to make these revenues taxable, you must charge GST on them. You can claim ITCs to recover the GST you pay for operating expenses to acquire the property or to make improvements, based on the proportion used for taxable commercial purposes.

If you do not elect to make these revenues taxable, you will not be able to claim ITCs, but you may be entitled to claim a rebate.

You must submit an election form for each property with commercial space, because electing to make the commercial activities of one property taxable does not affect your other properties.

Housing providers may have other sources of revenue; for example, offering courses or running a thrift store. However, the GST status of these revenues is beyond the scope of this guide.

Also, if you supply taxable goods or services outside of B.C., a different rate of tax may apply. The “place of supply” rules that govern the applicable tax rate are also beyond the scope of this guide. If you deal with out-of-province clients, contact your accountant or CRA for information and guidance.

Claiming Input Tax Credits

If you are registered for GST, you can claim ITCs for the GST you paid on expenses related to providing taxable goods and services, such as commercial leases. There are three methods for claiming ITCs, depending on the circumstances: the normal method, the special quick method, and the charity method.

1) Normal Method

This method does not apply to charities.

a) Operating Expenses

To claim an ITC under the normal method, at least 10 per cent of an operating expense must be used for taxable activities, such as commercial leases. If 90 per cent or more of the expense relates to taxable activities, you can claim the full ITC. And you can claim a portion of the ITC for expenses when the taxable use is between 10 per cent and 90 per cent. The table below illustrates these three categories:

TAXABLE USE	ITC CLAIM
Less than 10%	No ITC
10% - 89%	Claim proportional ITC
90% or more	Claim full ITC

b) Capital Expenses

The above rules do not apply to purchases of capital property, which include equipment and real property such as land and buildings. For these items, you can claim a full ITC if more than 50 per cent of the property you acquire is used for taxable activities; otherwise no ITC can be claimed. Special rules apply to real property with both residential and commercial space (see [page 31](#)).

2) Special Quick Method

The special quick method is a simplified accounting option available to:

- Certain public service bodies
- Some qualifying non-profit organizations
- Certain designated charities whose main purpose is to provide employment or employment-related assistance to people with disabilities
- Non-profit facility operators providing facilities for mentally or physically challenged residents with:
 - Individual nursing and personal care under the direction of qualified medical and nursing staff;
 - Assistance with activities of daily living and social, recreational and other related services to meet residents' psychosocial needs; and
 - Meals and accommodation.

The special quick method may not apply to many housing providers. For example, it does not apply to most registered charities, although designated municipalities can currently opt to use this method.

For housing providers who qualify, this method eliminates the need to determine the extent to which operating expenditures are used in taxable versus exempt activities.

When you use the special quick method, you continue to charge the 5 per cent GST on any taxable goods and services you supply. You multiply the amount of GST you collected by 75.6 per cent to calculate how much to remit to the CRA, rather than submit the 5 per cent you charged.

Using this approach means you remit only a part of the tax you collected. You cannot claim ITCs on most of your purchases using this method. Instead, you keep the rest of the tax you collected (100% - 75.6% = 24.4%). The 24.4 per cent represents the approximate value of the ITC you would normally have claimed.

GST on taxable revenues (e.g., commercial rents) – Collect 5%
GST reported as collectible on GST return – 75.6% of GST collected
GST retained in lieu of ITCs – 24.4%

Certain goods and services are not included in the special quick method calculation including:

- Sales of land and buildings.
- Zero-rated goods and services (see [page 13](#) for details).
- New developments on which you had to assess the amount of GST owing at completion, using self-supply rules. The self-supply rules apply to new construction and substantial renovations only, and are explained on [page 27](#).

Because you keep part of the tax you collect using the special quick method, you do not claim ITCs on most of your purchases and expenses. However, you can claim an ITC for the following items:

- Purchases of and improvements to capital real property used primarily in taxable activities; and
- Purchases of or improvements to capital personal property, such as computers and vehicles used primarily in taxable activities, where the cost of the property exceeds \$10,000.

If you want to use this special quick method, you must submit [GST form 287, Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting](#), to the CRA. A sample form is included in the appendix on [page 60](#).

3) Charity Method

Most registered charities that provide taxable goods and services are required to use the charity method of accounting for GST ITCs. However, you can opt to use the normal method if you:

- Provide zero-rated goods or services;
- Provide goods or services outside Canada; or
- Have at least 90 per cent taxable revenues.

Using the charity method, registered charities do not claim any ITCs for GST paid on operating costs. To compensate for the unclaimed ITCs, you keep 40 per cent of the GST you collected on taxable revenues such as commercial rentals. Please note that you must still charge 5 per cent GST to the recipient of these goods and services, but you report only 60 per cent of that amount as collectible GST to the CRA.

Claiming Both ITCs and Rebates

Some housing providers may provide both taxable and exempt goods and services. In this case, you may be able to claim ITCs for the portion of GST related to your taxable activities, and rebates for the portion of GST related to your exempt activities.

For example, a housing provider operates a facility with 25% commercial space and 75% non-profit housing units.

Rental income from the commercial space will usually be taxable, so the housing provider can claim a full ITC for the GST incurred on utility costs for the commercial space.

Rental income from the non-profit housing will be exempt, so the housing provider cannot claim an ITC for the GST incurred on utility costs for these units. But if you qualify, you can claim a partial or full rebate of this GST.

As this example illustrates, overall facility expenditures must be allocated to the taxable and exempt components. For instance, an ITC may be claimed for the commercial portion of repair and maintenance work (25%) done for the entire facility, and if eligible, a partial or full rebate on the balance.

The [Goods and Services Tax/Harmonized Sales Tax \(GST/HST\) Return form 62](#) and [Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund form 66](#) are the same for charities and qualifying non-profit organizations. However, you cannot combine the rebate claims or returns for a charity and a qualifying non-profit onto a single rebate claim or return form; each organization must file separately.

ITC Example

The following example illustrates the three methods for calculating ITCs, as well as rebates:

FACTS

- Housing provider operates a facility with:
 - 25% taxable commercial rentals
 - 75% exempt residential units
- Housing provider does not have municipality status
- Housing provider is eligible for a 50% rebate

Taxable revenues

Commercial rental revenue	\$50,000
GST collected (\$50,000 x 5%)	\$2,500

Taxable purchases

Taxable operating costs - eg: utilities.....	\$20,000
GST paid on purchases (\$20,000 x 5%)	\$1,000

	Normal	Special Quick	Charity
GST collectible to report	all GST collected	75.6% of GST collected	60% of GST collected
ITC to claim	all GST relating to taxable activities	none	none
Rebate	50% of GST relating to exempt activities	50% of all GST incurred	50% of all GST incurred

Using the information above:

a) GST collectible to report on return	\$2,500	\$1,890 (\$2,500 x 75.6%)	\$1,500 (\$2,500 x 60%)
b) ITC claimable	\$250 (\$1,000 x 25%)	–	–
c) Rebate	\$375 50% x (\$1,000-\$250)	\$500 (50% x \$1,000)	\$500 (50% x \$1,000)
Net amount to remit to CRA (a-b-c)	\$1,875	\$1,390	\$1,000

CHAPTER 3: BUILDING OR RENOVATING NON-PROFIT HOUSING

GST on New Construction or Substantial Renovations

This chapter explains how to account for GST on the costs of building a new non-profit housing development, and includes projects with both residential and commercial space.

Substantially renovating an existing facility is considered new construction for the GST. If you will be involved in a major renovation or converting a non-housing facility into a housing development, please contact your accountant or the Director, Finance at BC Housing to determine the GST implications of the project.

Non-Profit Housing Projects

Construction or substantial renovation of non-profit housing is considered a taxable activity, even if you have municipal, charitable or qualifying non-profit status. For GST purposes, you are deemed to be the seller of your project. As a result, you are entitled to a claim ITCs for the GST paid on construction, allowing you to recover 100 per cent of the GST incurred on these expenditures.

1) Claiming ITCs during Construction

If have not already done so, housing providers building new non-profit housing developments must register for the GST. Registering entitles you to claim ITCs for all GST incurred during construction on:

- › Land acquisition, if any. If you buy land for non-profit housing, GST may be payable on the purchase, but will be fully recoverable. However, GST does not apply when the land for a non-profit housing project is leased from another entity such as the Provincial Rental Housing Corporation (PRHC), a municipality or a health authority.
- › Feasibility, architectural, engineering and other consulting costs.
- › Construction costs.
- › Landscaping and other finishing costs.

We require you to claim the ITCs for these costs during construction to recover the funds more quickly.

You can claim an ITC for any GST related to the housing project as soon as you receive the documentation to support the claim (typically the invoice). It is not necessary to wait until the invoice has been paid to claim the ITC.

2) Your Liability for GST at Project Completion (Self-Supply)

GST registered housing providers are entitled to recover all of the GST incurred in developing a new housing project. However, you also become liable for the GST once the project is completed, under the “self-supply” rules. Here’s how the rules work:

- › Generally, GST applies to the selling price of newly constructed or substantially renovated housing.
- › Developers are required to pay the GST as if they had purchased the housing.
- › A housing provider is considered both seller and buyer for new developments funded by BC Housing.

- These rules mean you have supplied yourself with housing (self-supplied), and must assess and pay the amount of GST owing.

When your non-profit housing project is completed, you are liable for GST equal to the greater of:

- 5 per cent of the fair market value of the project, including the land and building, or
- The GST paid on specified development costs, which include the GST on the land acquisition, any improvements made to the property, and construction costs such as materials, supplies, equipment, contractors and consultants.

Certain items are excluded from the specified development costs, including the GST paid on:

- Preliminary architectural and engineering work
- Training by consultants
- Rezoning costs
- Soil, topography and environmental studies
- Landscaping

BC Housing has determined that the fair market value of non-profit housing projects is generally less than the actual cost. As a result, we will calculate the GST that is owed at the interest adjustment date (IAD) based on specified development costs.

Since you are a registered municipality, charitable organization or qualifying non-profit, as a “buyer” you are eligible to claim a partial rebate of the GST payable at the IAD. As a result, the self-assessed GST will be reduced by the amount of your rebate.

The self-supply rules only apply to residential property. When a facility contains both residential and commercial space, it is treated as two separate properties for GST purposes, the commercial component and the residential component. **The self-supply rules apply to the residential component only.**

Self-Supply Worksheet

BC Housing provides the following worksheet to calculate the net GST payable when a new non-profit housing project is completed under the self-supply rules.

CALCULATION OF GST SELF-SUPPLY LIABILITY WORKSHEET

1) Calculation of GST Payable by Society

Total Actual GST Paid on Project (incl. furniture and appliances) *		\$287,000
Less: GST paid on proposal development costs (pre-construction)	\$1,400	
Less: GST paid on preliminary architect / engineering work	\$3,600	
Less: GST paid on consulting training	\$0	
Less: GST paid on rezoning costs	\$0	
Less: GST paid on soil/topography/environmental studies	\$750	
Less: GST paid on development cost charges (**)	\$0	
Less: GST paid on landscaping	\$1,250	<u>\$7,000</u>

GST Payable - Line 103 of GST Return **\$280,000**

* Include GST on land if land was purchased by Society and purchase was subject to GST

** Deduct GST paid to a Municipality for repair, maintenance, and installation work for public Water distribution systems, sewers and drainage system; installing, replacing, repairing and removing street or road signs, or barriers, street or traffic lights; repairing or maintaining roads, streets, sidewalks, or similar or adjacent property; or installing accesses or egresses. Such Supplies are exempt any GST charged is in error.

2) Calculation of Rebate Claimable by Society

A) Society **IS** designated as a municipality **AND** project has RGI units

Enter % of RGI Units	60%	Rebate rate	100%	\$168,000
Enter % of Non RGI Units	<u>40%</u>	Rebate rate	50%	<u>\$56,000</u>
Total (must = 100%)	<u>100%</u>			

Rebate Claim - Line 300 of Rebate Form 66 and Line 111 of GST Return **\$224,000**

B) Society is **NOT** designated as a municipality but **IS** registered charity or qualifying non-profit organization.

Rebate Claim - Line 305 or 306 of Rebate Form 66 and Line 111 of GST Return **\$140,000**

There are two parts to the worksheet:

Part 1) GST on Specified Development Costs

In the first part of the worksheet, the GST is calculated based on the actual GST you paid on specified development costs to build the project, less the items that are excluded.

For example, if the total specified costs for a particular housing project were \$4,000,000, the GST owing would be $(\$4,000,000 \times 5\%) = \$200,000$ GST.

Part 2) Rebate Claimable

In the second part of the worksheet, the amount of the rebate is calculated.

If the project has RGI units and you have been designated as a municipality, you can claim a 100 per cent rebate of the GST payable on the completed project for the RGI units. In this example, assume all of the units are rent-geared-to-income. Then you could claim a \$200,000 rebate, resulting in no net tax owing.

If your project does not have any RGI units, the only rebate available is the 50 per cent rebate if you are a registered charity or qualifying non-profit organization. In this case, you would be able to claim a rebate of (50 per cent of the \$200,000 GST) = \$100,000. The net tax you pay would be $(\$200,000 \text{ GST} - \$100,000 \text{ rebate}) = \$100,000$.

If the development has both RGI and non-RGI units, the amount of rebate you can claim must be allocated by the proportion of these units. For example, if 60 per cent of the units are rent-geared-to-income, and 40 per cent are non-RGI, you can claim a rebate of 100 per cent for the RGI units and a 50 per cent rebate for the non-RGI units:

$$\begin{aligned} & \text{RGI unit: } 100\% \times (60\% \times \$200,000 \text{ GST}) + \\ & \text{Non RGI units } 50\% \times (40\% \times \$200,000) = \\ & \quad \$120,000 + \$40,000 = \$160,000 \end{aligned}$$

Please note that the *Self-Supply Worksheet* should not be submitted to CRA. If CRA questions the self-supply amount calculated for your organization, or plans to audit you on a new housing development, please advise your BC Housing contact or the BC Housing, Director of Finance.

A copy of the worksheet is included in the appendix on [page 62](#).

It is important to apply for municipal designation as soon as possible, if you are building RGI units, to ensure you can claim the maximum rebate when the project is completed. See [page 16](#) for information on how to apply.

3) Timing of GST Liability

The GST owing on a new development is due in the reporting period when the building is substantially complete and one or more residential units have been rented.

At BC Housing, we have adopted a policy of remitting the GST based on the interest adjustment date, which normally occurs at substantial completion and first occupancy.

For example, if you file on a quarterly calendar basis and IAD is February 2014, the net GST payable is reported on your GST return for the quarter ending March 31, 2014, and payment is due at the end of April 2014.

Projects With Non-Profit Housing and Commercial Space

1) Commercial Activities in Non-Profit Housing Projects

We recommend you elect to make any commercial space in a new non-profit housing project taxable, so you can recover all the GST incurred in constructing the commercial space. File the election form, *Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply Form*, before project completion, and specify IAD as the effective date.

When you elect to make commercial space taxable, you:

- Charge GST on the sale, lease or rental of the commercial space;
- Claim ITCs on operating expenses related to the property, such as maintenance and utilities, based on the percentage of property used for commercial activities; and
- Treat any subsequent sale of the commercial portion of the property as taxable.

If you elect to make the commercial space taxable, and subsequently use some or all of the space for your own GST exempt purposes, you may become liable for the GST on that space. Consult your accountant if this situation arises.

See [page 23](#) for more information on making commercial activities taxable.

Remember, residential rentals of a month or longer are exempt and cannot be made taxable. See [page 13](#) for more on exempt goods and services.

2) GST on Mixed Use Property

When the commercial space is taxable

If you develop a non-profit housing project that contains both residential and commercial rental space, and file the election form to make the commercial space taxable, the GST applies as follows:

Development

During construction, you can claim a full ITC for all the GST you paid to construct the entire facility.

Completion

A property that includes both residential and commercial space is treated as two separate properties for GST purposes. The self-supply rules discussed on [page 29](#) only apply to the residential part of a mixed-use property. As a result, you owe GST only on the residential portion of the facility when the development is completed, but not on the commercial portion.

When the commercial space is not taxable

If you develop a non-profit housing project that contains both residential and commercial rental space, and have not filed an election form to make the lease/rental of the commercial space taxable, this lease/rental of this space is exempt from GST. In this situation, the GST applies to the residential portion as follows:

Development

During construction, you can claim a full ITC for the proportion of the GST related to the residential part of the project only. **No ITC can be claimed for GST on the commercial portion.**

If you are eligible for either the 50 per cent charity or 50 per cent qualifying non-profit rebate, you can claim the rebate on the commercial portion of the GST you paid. The municipal rebate does not apply to commercial activities.

Completion

When the development is complete, you do not owe any GST on the commercial portion of the property but do owe GST on the residential portion, as explained in the section on self-supply rules on [page 27](#).

New Construction Checklist

Here are the steps to take when building a new development, with page references where you can find more information on each step:

TASK	PAGE
Register for the GST as soon as possible. If you do not have a business number, fill out GST form RC1, Request for a Business Number , and submit it to the local CRA office. Select monthly filing in section four.	11
If you already have a business number, but are not registered for the GST, submit GST form RC1A, Business Number (BN) - GST/HST Account Information , to register and elect monthly filing.	11
If you are already registered and are not filing monthly, change to a monthly reporting period during construction by submitting a GST Form 20, Election for GST/HST Reporting Period .	12
If you will be providing rent-geared-to-income units, send a letter to the CRA requesting municipal designation so you are eligible to claim a 100 per cent rebate.	16
File monthly GST returns until construction is complete, when you can elect to file quarterly or annually: <ul style="list-style-type: none"> • Enter your ITCs on line 108 of the return for GST incurred on costs related to developing the project, and any other ITCs you qualify for. • Enter any GST collectible on taxable goods and services you supply on line 105 of the return. 	37
If you are eligible for rebates, file monthly claims during construction, using the Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund Form .	36
If you are claiming rebates, enter the total, from line 409 of the Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund Form , on line 111 of the Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return Form . Remit the net amount owing if positive, or claim a refund of the net amount if negative.	36
Submit the Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return Form and Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund Form together each month.	

CHAPTER 4: GST ACCOUNTING

This chapter explains how to account for the GST and how to complete GST returns and rebate claims.

Determining GST Paid Or Payable

You can determine the total amount of GST paid or payable by adding up the GST incurred on each expenditure. Typically, the GST is shown as a separate amount on invoices or other purchase documentation. However, in some instances, the GST is included in the price you pay. In this case, you calculate the GST as 5/105 of the amount paid. For example:

Item purchased **$\$35 \times 5 \div 105 = \1.67 GST**

If you reimburse an employee for a taxable expense, such as purchasing office supplies, the CRA considers your organization to have made the expenditure and you can claim the GST included in the reimbursement. Alternatively, you can calculate this GST as 4/104 of the reimbursement. The factor used is 4/104, rather than 5/105, to reflect the fact that these types of expenses often include PST and gratuities that are not subject to the GST.

Recording GST

Here is one example of how you can record and account for the GST. Your accountant may be able to help you determine the method that best suits your needs and accounting abilities.

Claiming Rebates Only

Housing providers who only claim rebates may wish to set up two accounts: a GST receivable account and a clearing account. If you are designated as a municipality, but not all your units are rent-geared-to-income, three accounts are suggested:

- One to record the 100 per cent rebate on RGI units,
- One to record the 50 per cent rebate on non-RGI units, and
- A clearing account.

While waiting for a refund, the clearing account allows you to easily segregate rebate claims you have already submitted to the CRA from amounts not yet claimed.

To process each expenditure that includes GST, post the appropriate portion of the GST to your GST receivable account. At the end of your reporting period, claim the GST using the [Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund Form](#). (See how to complete this form later in this chapter, on [page 36](#). A copy is included on [page 63](#) in the appendix.)

When you determine the amount of rebate you will be claiming from the CRA you can transfer that amount into the clearing account to keep the amounts you have paid and claimed separate. When the rebate is received, post the cheque to the clearing account. Then you repeat the process for your next reporting period.

Rebate Example

Assume a housing provider operating a housing-only complex incurs \$10,000 in taxable expenses (utilities, repairs, etc.) during a reporting period, and has no other taxable transactions during the period. The GST payable on the expenses is $(\$10,000 \times 5\%) = \500 . The housing provider is entitled to a 50 per cent rebate.

1) Accounting entry to record payment of expenses

Debit	Expense	\$10,250
	(\$10,000 + 50% of \$500)	
Debit	GST receivable account.....	\$250
	(50% of \$500)	
Credit	Cash	\$10,500

2) Accounting entry to close out rebate at month end when the GST return is filed

Debit	GST clearing account.....	\$250
Credit	GST receivable account.....	\$250

3) Accounting entry to record receipt of rebate from the CRA

Debit	Cash	\$250
Credit	GST clearing account.....	\$250

If the rebate received from the CRA includes interest, do not credit the interest to your clearing account. Set up an interest income account for the interest amount. Only the rebate amount should be posted to the clearing account. Interest will only be included if the CRA takes more than 21 days from the date of filing to pay you the rebate.

Claiming Rebates and Input Tax Credits

We recommend that housing providers who are registered for the GST and claim ITCs and rebates set up four accounts:

- GST collectible account,
- GST rebate account,
- ITC account, and
- Clearing account

Any GST you charge on taxable revenues should be posted to the GST collectible account. When you process each expenditure that includes GST, post the portion of GST related to taxable activities to the ITC account, and 50 per cent of the balance, if any, to the rebate account, assuming you are entitled to a 50 per cent rebate.

At the end of your reporting period, claim the balance in the GST collectible and ITC accounts in your GST return, and claim the balance in the rebate account in the rebate claim form. Close out the balances in these three accounts to the clearing account.

If the net amount is payable, post the cheque you issue to pay the net amount to the clearing account. Similarly, if the net amount is a refund, post the refund cheque, net of any interest received, to the clearing account when you receive it. Any interest should be posted to a miscellaneous revenue account.

Similarly, if you are late in paying an amount and are assessed interest, the interest payment should be posted to a miscellaneous expense account, not to one of the four GST accounts.

ITC/Rebate Example

Assume a housing provider has 25 per cent taxable commercial space and 75 per cent GST exempt residential space, and incurs \$40,000 in taxable expenses, such as utilities and repairs, during a reporting period.

The GST payable on the expenses is $(\$40,000 \times 5\%) = \$2,000$. Rent from the commercial space is \$20,000, so the housing provider collected $(\$20,000 \times 5\%) = \$1,000$ in GST. The housing provider is a qualifying non-profit, registered for the GST, eligible for a 50 per cent rebate.

1) Accounting entry to record payment of expenses

Debit	Expense	\$40,750
	<i>(\$42,000 cash minus the ITC and rebate claims)</i>	
Debit	ITC claimable/receivable.....	\$500
	<i>(25% of \$2,000 GST payable on expenses)</i>	
Debit	GST rebate receivable	\$750
	<i>(50% of remaining GST after ITC claim)</i>	
	<i>(\$2,000 - \$500 = \$1500 x 50% = \$750)</i>	
Credit	Cash	\$42,000

2) Accounting entry to record commercial rentals

Debit	Cash	\$21,000
Credit	Rental revenue	\$20,000
Credit	GST collectible.....	\$1,000

3) Accounting entry to close out rebate account when return filed

Debit	GST clearing account.....	\$250
	<i>(\$1,000 - \$500 - \$750 = \$250)</i>	
Debit	GST collectible account.....	\$1,000
Credit	ITC claimable/receivable.....	\$500
Credit	GST rebate receivable	\$750

4) Accounting entry to record receipt of rebate from the CRA

Debit	Cash	\$250
Credit	GST clearing account.....	\$250

Again, if the amount refunded by the CRA includes interest, credit the interest amount to an interest account, not the GST clearing account.

This accounting summary assumes a housing provider has the time and resources to record the GST transaction by transaction. If not, you can use a more simplified method.

Smaller housing providers can determine the GST “in bulk,” after the fact. For example, if you are only eligible for rebates, you could simply add up all of the GST paid during the reporting period from your invoices and claim the rebate based on that total amount.

Please note that the GST ITCs and rebates you claim should not be recorded as revenue. Net these ITC and rebate amounts against the expenses they relate to. For example, if you spent \$1,050 on a purchase and \$50 of the invoice was GST, you are entitled to claim it as an ITC, as your real expense was \$1,000. When you recover the \$50 GST as an ITC, it is not considered revenue.

Filing GST Rebate Claims

All housing providers who qualify for a rebate must complete and file an [Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund Form](#) (GST 66) to claim the rebate. A sample form is included on [page 63](#) in the appendix.

When to File a Rebate Claim

If you are registered for the GST, you must file your rebate claim with your GST return for the reporting period you have chosen, either monthly, quarterly or annually.

If you are not registered for the GST, rebate claims can be filed semi-annually or annually. Although you have up to four years to claim rebates, BC Housing requires you to file rebate claims at least annually.

Completing the Rebate Claim Form

All housing providers must complete sections A to E of the rebate claim form, which cover:

- Identification for your organization
- Your claim period
- Any amount offset in your GST return, if applicable
- Certification of the accuracy of the information you are providing
- Details of your rebate claim

Qualifying non-profit organizations also have to submit [GST form 523, Non-Profit Organizations - Government Funding](#), annually to qualify for the 50 per cent rebate. The form asks for information on your sources of funding to confirm your eligibility as a qualifying non-profit. A copy of GST form 523 is included on [page 67](#) of the appendix. Registered charities are not required to complete this form.

If you receive funding from a regional health authority, you must also obtain a [GST form 322, Certificate of Government Funding](#), from the health authority. A copy of the form is included on [page 69](#) of the appendix.

Designated Municipalities

If you have been designated as a municipality, you can claim a rebate for 100 per cent of the GST you paid on expenses related to providing rent-geared-to-income units. You can include the GST payable on any RGI units in a newly completed building, under the self-supply rules. (See [page 27](#) for an explanation of how the self-supply rules work.) Enter this amount in line 300 of section E on the claim form.

Charities and Qualifying Non-Profits

Charities and qualifying non-profit organizations can claim a rebate of 50 per cent of the GST you incur on any expenses—including GST payable on a newly completed building, under the self-supply rules—for which you have not already claimed a municipal rebate or ITC. (See [page 27](#) for information on the self-supply rules.)

Section E of the rebate claim form has separate lines for charities and qualifying non-profit organizations to enter GST rebate amounts.

Filing GST Returns

If you registered for the GST, you must complete and file a GST return, even if you do not provide any taxable goods and services and are only claiming rebates.

- ▶ If you provided any taxable goods and services (items you charged GST on) during your reporting period, enter the GST collectible on line 105 of the [Goods and Services Tax/Harmonized Sales Tax \(GST/HST\) Return form](#). This amount should include the 5 per cent GST payable on a new development under the self-supply rules (see [page 27](#) for details).
- ▶ If you are entitled to claim any ITCs during your reporting period, enter these amounts on line 108 of the [Goods and Services Tax/Harmonized Sales Tax \(GST/HST\) Return form](#). This amount should include any ITCs for GST incurred on costs related to developing a project.
- ▶ If you are claiming any rebates, enter the total amount of rebates claimed, from line 409 of the [Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund form GST66](#), on line 111 of the [Goods and Services Tax/Harmonized Sales Tax \(GST/HST\) Return form](#).

A sample [Goods and Services Tax/Harmonized Sales Tax \(GST/HST\) Return](#) is included on [page 65](#) of the appendix.

CHAPTER 5: AUDITS

Canada Revenue Agency Audits

An auditor from the CRA will advise you of the intent to audit and when the audit will occur. You can ask the CRA to defer the audit if you have a valid reason, such as the suggested time falls within a busy period for the organization, or a key employee will be on vacation. The CRA will usually accommodate the request.

The auditor's approach will vary, depending upon the size and complexity of your organization. Generally, the auditor will want to review the nature of the organization's operations and test a sample of transactions. The period open to audit is four years, although the auditor may review only two years. If you have developed a new housing project during the audit period, the CRA will almost certainly review the GST accounting for the project, and the project valuation for self-supply purposes. (See [page 27](#) for more information on self-supply rules.)

When the audit is done, the auditor will give you a copy of the proposed assessment, and give you 30 days to respond with any further information you may have regarding the assessment. Additional time may be granted upon request.

When the audit is complete, a notice of assessment will be issued. Any tax owing, plus interest and penalty, is due and payable upon issuance. Interest and penalty will accrue on unpaid assessments. You have 90 days to appeal an assessment.

If you are being audited on a new housing project, or you are assessed on a new housing development (self supply), please advise your BC Housing contact or the Director, Finance at BC Housing.

GLOSSARY

BC Housing:	BC Housing is the provincial government agency that develops, manages and administers non-profit housing across the province, in partnership with non-profit housing providers, the private sector, other levels of government, health authorities and community agencies.
Business Number:	The CRA assigns a nine-digit account number, called a business number (BN), to deal with various types of business accounts. You must apply to the CRA for a BN.
Canada Mortgage and Housing Corporation (CMHC):	CMHC is the national housing agency of the federal government, and provides subsidies for housing developed under federal and federal/provincial housing programs.
Canada Revenue Agency (CRA):	The CRA administers tax laws for the federal government and most provinces.
Designated Municipality:	The CRA considers rent-geared-to-income (RGI) housing to be a municipal activity. Consequently, the CRA will designate housing providers supplying RGI housing as municipalities for the purpose of claiming rebates. Under GST legislation, a designated municipality is entitled to claim a rebate of 100 per cent for GST incurred in providing RGI housing.
Election:	The CRA uses the term election to indicate when a business or housing provider can choose among various reporting options.
Exempt Goods and Services:	The GST is not charged on goods and services that are designated exempt. Organizations cannot claim an ITC for the GST paid on purchases related to the provision of exempt goods and services. Exempt services include rentals of residential accommodation for a month or more, sales of used residential property, and certain health services.
Goods and Services Tax (GST):	The GST is a 5 per cent federal tax that is charged on most goods and services in Canada.
Housing Provider:	Non-profit housing societies and housing co-operatives that own and manage affordable housing developments are also referred to as housing providers.
Input Tax Credit (ITC):	Businesses pay GST on most purchases and expenses related to taxable activities. An ITC is a full refund of this GST, claimed in the GST return. Generally, an organization registered for the GST is entitled to claim an ITC for 100 per cent of GST paid on expenses related to making taxable supplies of goods and services (including zero-rated supplies).
Interest Adjustment Date (IAD):	The interest adjustment date is the date your organization takes out a mortgage for a development, which occurs when the project goes from the construction phase to occupancy.

Non-RGI Rents:	Rents are not based on tenants' ability to pay relative to their income.
Non-taxable Goods and Services:	Certain types of goods and services are non-taxable. GST is not collected on these revenues, and the person producing these goods cannot claim any ITCs for the GST paid on expenses. Any goods and services provided by organizations that are not registered for the GST are not taxable.
Operating Agreement:	The operating agreement is the contract that defines the roles and responsibilities of a housing provider and BC Housing. It includes the criteria for selecting tenants and members, resident rent/housing charge contributions, rent reviews, budget and financial reporting requirements, subsidy payments, record keeping requirements, the operational review process, minimum insurance and liability coverage, and the process for terminating an operating agreement.
Provincial Rental Housing Corporation (PRHC)	PRHC owns real estate for non-profit housing, and leases the land to non-profit societies and housing co-operatives. BC Housing acts as the operating agent for PRHC.
Public Service Bodies:	Public service bodies include non-profit organizations, registered charities, municipalities, school authorities, public colleges, universities and hospital authorities
Qualifying Non-profit:	Qualifying non-profit organizations are entitled to claim rebates of 50 per cent of any GST that cannot be claimed as an ITC. To qualify, a non-profit must receive at least 40 per cent of its total revenue from government, or a qualifying agency, including BC Housing, CMHC, and regional health authorities.
Rebate:	A rebate is a full or partial recovery of GST paid, and is available to public service bodies. These organizations often provide exempt or non-taxable goods and services, and cannot claim ITCs for any GST incurred on expenses, but may qualify for a rebate of the GST instead. For example, charities and qualifying non-profit organizations can claim a 50 per cent rebate, and designated municipalities can claim a 100 per cent rebate of GST paid on expenses related to providing RGI housing.
Registered Charity:	For GST purposes, registered charities must have a registration number issued by the CRA. Housing providers who are registered charities are entitled to claim a rebate of 50 per cent of GST that cannot be recovered by claiming ITCs.

Rent-Geared-To-Income (RGI): RGI housing means housing for individuals whose eligibility for occupancy of the housing unit or for reduced lease payments depends on a means or income test. A periodic review of the individual's income is required to ensure that the tenant receiving accommodation on an RGI basis continues to be eligible for such occupancy. Accommodation that includes meals, personal care services, laundry and/or housekeeping services does not qualify as RGI housing.

Self-Supply Rules: Self-supply refers to the liability to pay the GST when a new housing development or a substantial renovation of an existing housing development is complete. The housing provider is deemed to have sold and repurchased the development, and is therefore liable for the GST.

Small Supplier: Organizations considered small suppliers are not required to register for the GST. A small supplier means a business or organization with annual revenues from taxable goods and services of less than \$30,000. The threshold for public service bodies, which include charities and non-profit organizations, is \$50,000. In addition, a registered charity with less than \$250,000 in annual revenues is also a small supplier, even if taxable revenues exceed \$50,000.

Substantial Renovation: Substantial renovation is considered new construction and requires the renovation or alteration of 90 per cent or more of the interior of an existing residential building.

Taxable Goods and Services: GST is charged on taxable goods and services. GST registered organizations must collect the 5 per cent GST on most goods and services they provide, although some specific goods and services are not taxed.

Zero-Rated Goods and Services: Zero-rated goods or services are considered taxable, but tax is charged at zero per cent, so no tax is collected. An organization providing zero-rated goods and services is not required to collect the GST, but the organization can still claim an ITC for GST paid on expenses, because the goods and services are classified as taxable. Prescription drugs, medical devices and basic groceries are a few examples of zero rates goods and services.

APPENDIX DOCUMENTS

Appendix 1: [Canada Revenue Agency Contact Information](#)

Appendix 2: [Request for a Business Number Form RC1](#)

Appendix 3: [Business Number - GST Account Information Form RC1A](#)

Appendix 4: [Election for GST Reporting Period Form GST20](#)

Appendix 5: [Sample Municipal Designation Letter](#)

Appendix 6: [Election or Revocation of an Election by a Public Service Body to Have an Exempt Supply of Real Property Treated as a Taxable Supply Form GST26](#)

Appendix 7: [Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting Form GST287](#)

Appendix 8: [Calculation of GST Self-Supply Liability Worksheet](#)

Appendix 9: [Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund Form GST66](#)

Appendix 10: [Goods and Services Tax/Harmonized Sales Tax \(GST/HST\) Return \(Non-personalized\) Form GST62](#)

Appendix 11: [Non-Profit Organizations - Government Funding Form GST523](#)

Appendix 12: [Certificate of Government Funding Form GST322](#)

Appendix 13: [Registering a Charity for Income Tax Purposes T4063](#)

Appendix 1: Canada Revenue Agency Contact Information

WEBSITE: www.cra-arc.gc.ca

TELEPHONE NUMBERS:

Information and services for businesses	Business and GST registration	1-800-959-5525
Forms and publications	Order publications online or download from the CRA site	1-800-959-2221
e-service Helpdesk for businesses	Get help using GST NETFILE, or GST TELEFILE	1-877-322-7849

ADDRESSES:

Fraser Valley & Northern Tax Service Office:

Office Address:

9377 King George Boulevard
Surrey, B.C.
V3T 5W6
Fax: 604-587-2010

Office Address:

280 Victoria Street
Prince George, B.C.
V2L 4X3
Fax: 250-561-7869

Mailing Address:

9755 King George Boulevard
Surrey, B.C.
V3T 5E1

Southern Interior B.C. Tax Services Office

Office Address:

277 Winnipeg Street
Penticton, B.C.
V2A 1N6
Fax: 250-492-8346

Office Address:

100-1620 Dickson Avenue
Kelowna, B.C.
V1Y 9Y2
Fax: 250-492-8346

Mailing Address:

9755 King George Boulevard
Surrey, B.C.
V3T 5E1

Vancouver Tax Services Office

Office Address:

1166 West Pender Street
Vancouver, B.C.
V6E 3H8
Fax: 604-689-7536

Mailing Address:

9755 King George Boulevard
Surrey, B.C.
V3T 5E1

Vancouver Island Tax Services Office

Office Address:

1415 Vancouver Street
Victoria, B.C.
V8V 3W4
Fax: 250-363-8188

Mailing Address:

9755 King George Boulevard
Surrey, B.C.
V3T 5E1

Appendix 2: Request for a Business Number Form RC1

You can use this form to request a business number if your organization does not already have one.

- If you are applying for a GST number it is necessary to complete parts A and B of the form.
 - When completing section A4, make sure you refer to the taxable activity you are registering for. If you are registering because you will be developing a new housing project, include this information. If you are registering for another taxable activity, state what the activity is.
 - When completing section A5, answer yes to the first question, yes or no, depending on the facts, to the second question, no to the next three questions, and yes to the last question.
- Complete part C if you have employees.
- You must complete and sign part F to certify the information in the form.



Request for a Business Number

BN | | | | | | | | | | | | | | | | | | | | | |

Complete this form to apply for a business number (BN). If you are a sole proprietor with more than one business, your BN will apply to all your businesses. **All businesses have to complete parts A and F.** Once completed, send this form to your tax centre. The tax centres are listed at www.cra.gc.ca/taxcentre and in Booklet RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*. For more information, go to www.cra.gc.ca/bn or call 1-800-959-5525.

Note: If your business is in the province of Quebec and you want to register for the goods and services tax/harmonized sales tax (GST/HST), do not use this form. Contact Revenu Québec. However, if you want to register for any of the other three accounts listed below, complete the appropriate part indicated in the following instructions:

- To open a GST/HST account, complete parts A, B, and F.
- To open a payroll account, complete parts A, C, and F.
- To open an import/export account, complete parts A, D, and F.
- To open a corporation income tax account, complete parts A, E, and F.

Part A – General information

A1 Ownership type and Operation type

Individual Partnership Trust Corporation Other (specify: _____)

Are you incorporated? Yes No **(All corporations have to provide a copy of the certificate of incorporation or amalgamation or complete the information requested in Part E.)**

Tick the box below that best describes your type of operation (if none apply, leave this section blank):

- | | | |
|---|---|---|
| <input type="checkbox"/> Sole proprietor | <input type="checkbox"/> Federal government (publicly funded) | <input type="checkbox"/> Other government body |
| <input type="checkbox"/> Society | <input type="checkbox"/> Federal government (not publicly funded) | <input type="checkbox"/> Strata condo corporation |
| <input type="checkbox"/> Employer of a domestic | <input type="checkbox"/> Provincial government | <input type="checkbox"/> Association |
| <input type="checkbox"/> Foster parent | <input type="checkbox"/> Municipal government | <input type="checkbox"/> University/school |
| <input type="checkbox"/> Religious body | <input type="checkbox"/> Financial institution | <input type="checkbox"/> Union |
| <input type="checkbox"/> Hospital | <input type="checkbox"/> Employer-sponsored plan | <input type="checkbox"/> Diplomat |

A2 Owner(s) information – Complete this part to provide information for the individual owner, partner(s), corporation director(s), or officer(s) of the business. If you need more space, include the information on a separate piece of paper. The social insurance number (SIN) is mandatory for individuals (sole proprietors) applying to register for a GST/HST account (Social Insurance Number Disclosure Regulations, *Excise Tax Act*).

Social insurance number (SIN)	First name	Last name
Title	Work phone number Extension	Work fax number
Occupation	Home phone number Extension	Home fax number
	Cellular phone number	Pager number
Social insurance number (SIN)	First name	Last name
Title	Work phone number Extension	Work fax number
Occupation	Home phone number Extension	Home fax number
	Cellular phone number	Pager number

Contact Person – Please provide the name of a contact for **registration purposes only** (the contact name provided will not be considered an authorized representative). If you wish to authorize a representative to speak on your behalf about your BN program account(s), complete Form RC59, *Business Consent*. For more information, see Booklet RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*.

Title	First name	Last name
	Work phone number Extension	Work fax number
	Cellular phone number	Pager number

A3 Identification of business			
Name			
Physical business location			City
Province/Territory/State	Country		Postal or Zip Code
Mailing address (if different from the physical business location) c/o			City
Province/Territory/State	Country		Postal or Zip Code
Operating / Trade name			
Language of preference <input type="checkbox"/> English <input type="checkbox"/> French			
Are you a third party requesting the registration? <input type="checkbox"/> No <input type="checkbox"/> Yes (If yes , enter your name and company name below.)			
Your name: _____			
Company name: _____			
A4 Major business activity			
Clearly describe your major business activity. Give as much detail as possible using at least one noun, a verb, and an adjective. Example: Construction – Installing residential hardwood flooring.			

Specify up to three main products or services that you provide and the estimated percentage of revenue they each represent.			
_____			_____ %
_____			_____ %
_____			_____ %
A5 GST/HST information – For more information, see Booklet RC2, <i>The Business Number and Your Canada Revenue Agency Program Accounts</i>.			
Do you provide or plan to provide goods or services in Canada or to export outside Canada? If no , you generally cannot register for GST/HST. However, certain businesses may be able to register. For more information, see Booklet RC2.			<input type="checkbox"/> Yes <input type="checkbox"/> No
Are your annual worldwide GST/HST taxable sales, including those of any associates, more than \$30,000? If yes , you have to register for GST/HST.			<input type="checkbox"/> Yes <input type="checkbox"/> No
Note: Special rules apply to charities and public institutions. For more information, see Booklet RC2.			
Are you a public service body (PSB) whose annual worldwide GST/HST taxable sales are more than \$50,000? If yes , you have to register for GST/HST.			<input type="checkbox"/> Yes <input type="checkbox"/> No
Note: Special rules apply to charities and public institutions. For more information, see Booklet RC2.			
Are all the goods/services you sell/provide exempt from GST/HST?			<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you operate a taxi or limousine service? If yes , you have to register for GST/HST, regardless of your revenue.			<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you an individual whose sole activity subject to GST/HST is from commercial rental income?			<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you a non-resident?			<input type="checkbox"/> Yes <input type="checkbox"/> No
Are you a non-resident who charges admission directly to audiences at activities or events in Canada? If yes , you have to register for GST/HST, regardless of your revenue.			<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you want to register voluntarily? By registering voluntarily, you must begin to charge GST/HST and file returns even if your worldwide GST/HST taxable sales are \$30,000 or less (\$50,000 or less if you are a public service body). For more information, see Booklet RC2.			<input type="checkbox"/> Yes <input type="checkbox"/> No

D2 Import/export information			
Type of account: <input type="checkbox"/> Importer <input type="checkbox"/> Exporter <input type="checkbox"/> Both Importer-exporter <input type="checkbox"/> Meeting, convention, and incentive travel			
If you are applying for an exporter account, you must enter all of the following information:			
Enter the type of goods you are or will be exporting: _____			
Enter the estimated annual value of goods you are or will be exporting: \$ _____			
Part E – Corporation income tax account information – If you need a corporation income tax account, complete Part E1. If you have not provided your certificate of incorporation or amalgamation you have to complete Parts E2 and E3.			
E1 Corporation income tax account identification – If the information is the same as in Part A3, tick this box. <input type="checkbox"/>			
Name (as listed on your certificate of incorporation)			
Physical business location			City
Province/Territory/State		Country	Postal or Zip Code
Mailing address (if different from the physical business location) c/o			City
Province/Territory/State		Country	Postal or Zip Code
Language of preference <input type="checkbox"/> English <input type="checkbox"/> French			
E2 Complete this part if you have not provided a copy of your Canadian certificate of incorporation or amalgamation.			
Certificate Number _____		Year	Month
Date of Incorporation _____		Day	
Date of Amalgamation _____			
E3 Indicate the jurisdiction of your business.			
<input type="checkbox"/> Federal			
<input type="checkbox"/> Provincial _____ (province)			
<input type="checkbox"/> Foreign _____ (country/state)			
Part F – Certification			
All businesses must complete and sign this part. You are authorized to sign this form only if you are an owner, a partner, an officer of the business, a corporate director, or an authorized representative. However, if the direct deposit information is entered, an authorized representative may not sign this form. In this case an owner, a partner, an officer of the business or a corporation director must sign the form.			
The person signing this form is the: <input type="checkbox"/> Owner <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input type="checkbox"/> Corporate director <input type="checkbox"/> Authorized representative			
I certify that the information given on this form is, to the best of my knowledge, true and complete.			
_____		_____	_____
First name (print)		Last name (print)	Title
▶ _____		_____	_____
Signature		Date	
Note: After you register your new business number or CRA program account (e.g. GST/HST) we may contact you to confirm the information you provided. At that time we may ask you to provide more information. Having complete and valid information on file for your business allows us to serve you better.			

Appendix 3: Business Number – GST Account Information Form RC1A

Use this form to request a GST number if your organization already has a business number. You must complete the entire form.

- When completing section two, answer yes to the first question, yes or no, depending on the facts, to the second question, no to the next three questions, and yes to the last question.
- When completing section six, make sure you refer to the taxable activity you are registering for. If you are registering because you will be developing a new housing project, include this information. If you are registering for another taxable activity, indicate what the activity is.
- You must complete and sign the certification section at the bottom of the form.



Business Number – GST/HST Account Information

Protected B when completed

Complete this form if you have a business number (BN) and you need to open a GST/HST program account. Once completed, send this form to your tax centre. The tax centres are listed at www.cra.gc.ca/taxcentre and in Booklet RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*. For more information, go to www.cra.gc.ca/bn or call 1-800-959-5525.

- Note:**
- If you want to open a separate GST/HST account for a branch or division of a head office, complete Form GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Application for Branches or Divisions*. If your business is in the province of Quebec, do not use this form and contact Revenu Québec.
 - More information is required if the registration dates are more than 30 days before the date of the application for registration. Depending on the business's situation, you must provide either:
 - sales invoices or other documents proving that the business began charging the taxes on the dates entered on this form; or
 - a document (a balance sheet, financial statement or information slip) proving that the business is required to register for the taxes because its sales (taxable sales, including zero-rated sales) exceeded \$30,000 (or \$50,000 for a public service body) over the last four calendar quarters or in a single calendar quarter.

1 Identification of business (for corporations, enter the name and address of the head office)															
Name		Business number													
GST/HST account name		Language of preference <input type="checkbox"/> English <input type="checkbox"/> French													
Physical business location		City													
Province/Territory/State	Country	Postal or zip code													
Mailing address (if different from the physical business location) for GST/HST purposes.		City													
c/o	Province/Territory/State	Country	Postal or zip code												
Contact person – Please provide the name of a contact for registration purposes only (the contact name provided will not be considered an authorized representative). If you wish to authorize a representative to speak on your behalf about your BN program account(s), complete Form RC59, <i>Business Consent</i> . For more information, see Booklet RC2, <i>The Business Number and Your Canada Revenue Agency Program Accounts</i> .															
Title	First name	Last name													
Work telephone number	Ext.	Work fax number													
Cellular telephone number	Pager number														
2 GST/HST information – For more information, see Booklet RC2, <i>The Business Number and Your Canada Revenue Agency Program Accounts</i> .															
Do you provide or plan to provide goods or services in Canada or to export outside Canada? If no , you generally cannot register for GST/HST. However, certain businesses may be able to register. For more information, see booklet RC2.		<input type="checkbox"/> Yes <input type="checkbox"/> No													
Are your annual worldwide GST/HST taxable sales, including those of any associates, more than \$30,000? If yes , you have to register for GST/HST. Note: Special rules apply to charities and public institutions. For more information, see Booklet RC2.		<input type="checkbox"/> Yes <input type="checkbox"/> No													
Are you a public service body (PSB) whose annual worldwide GST/HST taxable sales are more than \$50,000? If yes , you have to register for GST/HST. Note: Special rules apply to charities and public institutions. For more information, see Booklet RC2.		<input type="checkbox"/> Yes <input type="checkbox"/> No													
Are all the goods/services you sell/provide exempt from GST/HST?		<input type="checkbox"/> Yes <input type="checkbox"/> No													
Do you operate a taxi or limousine service? If yes , you have to register for GST/HST, regardless of your revenue.		<input type="checkbox"/> Yes <input type="checkbox"/> No													
Are you an individual whose sole activity subject to GST/HST is from commercial rental income?		<input type="checkbox"/> Yes <input type="checkbox"/> No													
Are you a non-resident?		<input type="checkbox"/> Yes <input type="checkbox"/> No													
Are you a non-resident who charges admission directly to audiences at activities or events in Canada? If yes , you have to register for GST/HST, regardless of your revenue.		<input type="checkbox"/> Yes <input type="checkbox"/> No													
Do you wish to register voluntarily? By registering voluntarily, you must begin to charge GST/HST and file returns even if your worldwide GST/HST taxable sales are \$30,000 or less (\$50,000 or less if you are a public service body). For more information, see Booklet RC2.		<input type="checkbox"/> Yes <input type="checkbox"/> No													
3 Filing information – For more information, see booklet RC2, <i>The Business Number and Your Canada Revenue Agency Program Accounts</i> .															
Enter the amount of your sales in Canada (dollar amount only)		\$ _____ (If you have no sales enter "\$0")													
Enter the amount of your worldwide sales (dollar amount only)		\$ _____ (If you have no sales enter "\$0")													
Enter your fiscal year-end for GST/HST purposes. If you do not provide a date, we will enter December 31.		<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> <td colspan="2"></td> </tr> </table>						Month	Day						
Month	Day														
Do you want to make an election to change your fiscal year-end for GST/HST purposes? If yes , enter the date you would like to use.		<input type="checkbox"/> Yes <input type="checkbox"/> No													
		<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> <td colspan="2"></td> </tr> </table>						Month	Day						
Month	Day														
Enter the effective date of registration for GST/HST purposes.		For more information about when to register for GST/HST, see Booklet RC2.													
		<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> <td colspan="3"></td> </tr> </table>								Year	Month	Day			
Year	Month	Day													



4 Reporting period

Unless you are a charity or a financial institution, we will assign you a reporting period based on your total annual GST/HST taxable sales in Canada (including those of your associates) for the **preceding year**. If you do not have annual sales from the preceding year, your sales are "\$0". If you wish to elect for a different reporting period, your options, if any, are listed below. Please indicate in the right column which option you want to elect. For more information, see Booklet RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*.

Reporting period election

Select **yes** if you wish to file more frequently than the reporting period assigned to you. Yes No

Total annual GST/HST taxable sales in Canada (including those of your associates)	Reporting period assigned to you, unless you choose to change it (see next column)	Options
<input type="checkbox"/> More than \$6,000,000	Monthly	No options available
<input type="checkbox"/> More than \$1,500,000 up to \$6,000,000	Quarterly	<input type="checkbox"/> Monthly
<input type="checkbox"/> \$1,500,000 or less	Annual	<input type="checkbox"/> Monthly or <input type="checkbox"/> Quarterly
<input type="checkbox"/> Charities	Annual	<input type="checkbox"/> Monthly or <input type="checkbox"/> Quarterly
<input type="checkbox"/> Financial institutions	Annual	<input type="checkbox"/> Monthly or <input type="checkbox"/> Quarterly

5 Major business activity

Clearly describe your major business activity. Give as much detail as possible using at least one noun, a verb, and an adjective. Example: Construction – Installing residential hardwood flooring.

Specify up to three main products or services that you provide and the estimated percentage of revenue they each represent.

_____ %

_____ %

_____ %

6 Direct deposit information – The account holder identified in this part requests and authorizes the Minister of National Revenue to directly deposit, into a Canadian financial institution's account, amounts payable to the account holder under Part IX of the *Excise Tax Act*. If the direct deposit information is entered, an owner, partner, corporate director or officer **must** sign the form. An authorized representative **may not**.

Complete the banking information area below or attach a blank cheque and write "VOID" across the front. This method provides a faster, more convenient, and dependable way of receiving refunds. The CRA will deposit your GST/HST refund into your Canadian financial institution's account.

Branch number	Institution number	Account number

Name(s) of account holder(s):

7 Certification – All businesses **must** complete and sign this part. You are authorized to sign this form **only** if you are an owner, a partner, an officer of the business, a corporation director, or an authorized representative. **However, if the direct deposit information is entered, an authorized representative may not sign this form.** In this case an owner, a partner, an officer of the business or a corporation director **must sign** the form. Please note that the social insurance number (SIN) is mandatory for individuals (sole proprietors) applying to register for a GST/HST account (Social Insurance Number Disclosure Regulations, *Excise Tax Act*).

Provide the name and SIN of **one** of the following: Owner Partner Officer Corporation director

First and last names (print)	Social insurance number (SIN)

I certify that the information given on this form is, to the best of my knowledge, true and complete.

Authorized representative

First and last names (print)	Title	Telephone number	Ext.
Signature	Telephone number	Ext.	Date

Note: After you register your CRA program account we may contact you to confirm the information you provided. At that time we may ask you to provide more information. Having complete and valid information on file for your business allows us to serve you better.

General information

GST/HST reporting periods

As a GST/HST registrant, the reporting period you use determines how often you prepare and send us your GST/HST returns. When you become a registrant, you can select, depending on your threshold amount, one of the three reporting periods. If you do not select a reporting period, we assign you the reporting period that requires the least frequent filing of GST/HST returns available for your threshold amount. For example, if your threshold amount is \$1,500,000 or less, we will assign you an annual reporting period. The reporting period assigned to you will remain as your filing period until you make an election to change it, or until your threshold amount exceeds the maximum for that reporting period.

If you are an eligible listed financial institution (as described in any of subparagraphs 149(1)(a)(i) to (x) of the *Excise Tax Act*), we will assign you an annual reporting period. The reporting period assigned to you will remain as your filing period until you make an election to change it.

Your reporting period applies to all of your branches and divisions.

Who can change their reporting period?

You can make an election to change your reporting period if the reporting period you choose is an available option based on your threshold amount (see Part B on the first page).

Note

Do not complete this form if you are a selected listed financial institution and you have a permanent establishment in Quebec. Instead, complete Form RC7220, *Election for GST/HST and QST Reporting Period for a Selected Listed Financial Institution*.

If you are a charity, you can make an election to change your reporting period regardless of your threshold amount.

Charity means a registered charity or registered Canadian amateur athletic association for income tax purposes, but does not include a public institution.

A public institution is a registered charity that is also a school authority, a public college, a university, a hospital authority, or a local authority determined to be a municipality.

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 as the Minister may determine to be a municipality.

If you are a listed financial institution, you can also change your reporting period back to annual by revoking your election for monthly or quarterly reporting periods using Form GST20-1, *Notice of Revocation of an Election for GST/HST Reporting Period by a Listed Financial Institution*. In this situation, you are not subject to the \$1.5 million threshold amount.

Threshold amount calculation

When calculating your threshold amount to determine your reporting period, include your annual taxable sales and revenues, including zero-rated sales and services made in Canada. Some revenues are excluded from this calculation (see the chart on this page).

If other persons are associated with you, also include the annual taxable sales of these associates in the calculation of your total annual taxable sales. You are considered to be associated if you meet **any** of the following conditions:

- If you are a corporation, you and another corporation are associated if you are associated for income tax purposes.
- If you are **not** a corporation, you and a corporation are associated if you control the corporation, or you are a member of a group that controls the corporation and each member of that group is associated with each other member.

- You are associated with a partnership if the total of your share of the partnership's profits and the share of all the persons with whom you are associated is more than half of the total of the partnership's profits or would be more than half if the partnership had profits.
- You are associated with a trust if the total value of your interest in the trust, and the interest in the trust of all the persons with whom you are associated, is more than half the total value of all interests in the trust.
- You are associated with another person if you are each associated with the same third person.

Use the chart below to determine your threshold amount for a fiscal year.

Threshold amount calculation chart

Enter your total taxable sales and revenues (paid to you or that became due) for your immediately preceding fiscal year. Do not include amounts collected as GST/HST or provincial sales tax. \$ _____ (1)

Amounts included on line 1 that are for:

Goodwill \$ _____ (2)

Financial services _____ (3)

Sales of capital real property _____ (4)

Zero-rated exports _____ (5)

Supplies made outside Canada _____ (6)

Add lines 2 through line 6 _____ (7)

Line 1 minus line 7 _____ (8)

Line 8 divided by the number of days in that fiscal year _____ (9)

Threshold amount
(line 9 multiplied by 365) \$ _____ (10)

Note

If you have no associates, the amount on line 10 is your threshold amount for the fiscal year. If you have associates, the above calculation has to be repeated for each associate using the preceding fiscal year-end of the associate that ends on or before your last fiscal year-end. The line 10 total for all associates has to be added to your line 10 total to get your threshold amount for the current fiscal year.

Effective date of the election

Once you make an election, your reporting period will take effect on:

- the day you become a registrant;
- the first day of your fiscal year, if you are already a registrant; or
- the first day of a fiscal quarter, if your election for annual filing ceases to be valid on the first day of that quarter (for example, you exceed the \$1,500,000 threshold amount in your second or third quarter) and you are electing to file monthly instead of quarterly.

Due date for filing your election

If you are electing to change from quarterly to annual filing, file your election no later than three months after the beginning of the fiscal year in which the election is to take effect.

If you are a new registrant, make an election to change your reporting period on or before the effective date of your GST/HST registration when the election is to take effect on that day.

In all other cases, file your election no later than two months after the day the election is to take effect.

Duration of election

The reporting period election remains in effect until the earlier of:

- the day an election for a different reporting period takes effect;
- the day that your threshold amount for the fiscal year or a particular fiscal quarter in that year exceeds the maximum for the reporting period you have elected (this does not apply to charities); or
- if you are a listed financial institution, the day on which a revocation of the election becomes effective using Form GST20-1, *Notice of Revocation of an Election for GST/HST Reporting Period by a Listed Financial Institution*.

Instalment payments for annual filers

If you file your GST/HST returns annually, you may also have to make quarterly instalment payments if your annual net tax for your previous fiscal year was \$3,000 or more. These quarterly payments are due one month after the end of each of your fiscal quarters and are generally based on the lesser of the following two amounts:

- 25% of your annual net tax from the previous year; or
- 25% of the estimated annual net tax for the current fiscal year, if you expect that your net tax for the current fiscal year will be less than it was for the previous fiscal year.

Note

You **do not** have to make quarterly instalment payments if your net tax for the current year will be less than \$3,000.

The GST/HST return you file at the end of your fiscal year will reconcile your instalment payments with your total annual net tax.

Definitions

Listed financial institution – A person is a listed financial institution throughout a particular tax year if at any time in the particular year the person is:

- a bank;
- a corporation that is in the business of offering its services as a trustee to the public;

- a person whose principal business is as a trader, dealer or broker of financial instruments or money;
- a credit union;
- an insurer;
- a segregated fund of an insurer;
- the Canada Deposit Insurance Corporation;
- a person whose principal business is lending money or purchasing debt;
- an investment plan;
- a tax discount; or
- a corporation deemed under section 151 of the *Excise Tax Act* to be a financial institution.

For more information, see GST/HST Memoranda Series 17.6, *Definition of "Listed Financial Institution."*

Selected listed financial institution (SLFI) – a financial institution would generally be considered to be an SLFI throughout a reporting period in a fiscal year that ends in a particular tax year of the financial institution if it is a listed financial institution described in any of subparagraphs 149(1)(a)(i) to (x) of the *Excise Tax Act* at any time in the particular tax year, and the financial institution has a permanent establishment in a participating province and a permanent establishment in any other province, at any time in the tax year.

Note

For purposes of this definition, the meaning of permanent establishment is expanded such that the existence of a permanent establishment is generally determined based on the location of the financial institution's clients, operations, unit holders, and/or plan members.

Where do you send this form?

Send this form to your tax centre. To get the address of your tax centre, go to www.cra.gc.ca/tso or call 1-800-959-5525.

Note

If you choose to change your reporting period using the "File an election" online service at www.cra.gc.ca/mybusinessaccount or at www.cra.gc.ca/representatives, do not send us this form.

What if you need help?

For more information, go to www.cra.gc.ca/gsthst or call 1-800-959-5525.

To get our forms or publications, go to www.cra.gc.ca/gsthstpub or call 1-800-959-5525.

Appendix 5: Sample Municipal Designation Letter

Canada Revenue Agency
Director, Public Service Bodies and Government Division
Excise and GST/HST Rulings Directorate
320 Queen Street
Place de Ville, 15th Floor
Ottawa, Ontario K1A 0L5

Date

Dear Sir/Madam:

Re: Request for Municipal Designation

We are writing to request that *(insert the full name of your organization)* be designated as a municipality, under subsection 259(4) of the Excise Tax Act. *(Organization name)* supplies rent-geared-to-income non-profit housing in *(a facility/facilities)* in the province of B.C. At least 10 per cent of the units in the facility are rent-geared-to-income. We enclose the following information in support of our designation request:

- 1) A copy our constitution and bylaws;
- 2) A copy of the subsidy agreement (signed and dated);
- 3) Our charitable registration number (if a charity); and
- 4) A copy of our Certificate of Incorporation.

We request that the designation be made effective *(the latest of:*

- *The date the organization was formed;*
- *The date the organization began supplying rent-geared-to-income housing; or*
- *Four years prior to the designation request, as organizations have up to four years to claim rebates).*

We understand that we will be entitled to claim a rebate of 100 per cent of the Goods and Services Tax incurred on expenditures related to providing rent-geared-to-income housing, upon receiving a municipal designation.

Please contact me if you require additional information regarding our request for designation as a municipality.

Yours truly,

Signature/Title

G – Revocation

_____, revokes the election previously made for the real property identified in Section C.
(Print complete legal name of the PSB.)

If the public service body (PSB) remains a GST/HST registrant on the effective date of the revocation, the PSB has to include GST/HST equal to the basic tax content (BTC) of the property on that day in its net tax calculation for the reporting period in which the revocation takes effect. For more information on BTC, see page 3.

If the PSB stops being a GST/HST registrant on the effective date of the revocation, the PSB has to include an amount of GST/HST in its net tax calculation for the reporting period that includes that day. To determine the amount of GST/HST to be included, see "Effect of revocation of the election" on page 3.

An exempt supply of the real property made on or after the effective date of the revocation will no longer be treated as a taxable supply.

Effective date of revocation of the election:

Year	Month	Day

I certify that the information given on this form is, to the best of my knowledge, true, correct and complete in every respect, and that I am authorized to sign this revocation on behalf of the PSB.

Signature of authorized person	Title	<table style="display: inline-table; border-collapse: collapse;"><tr><td style="text-align: center;">Year</td><td style="text-align: center;">Month</td><td style="text-align: center;">Day</td></tr><tr><td style="border-bottom: 1px solid black; width: 20px;"></td><td style="border-bottom: 1px solid black; width: 20px;"></td><td style="border-bottom: 1px solid black; width: 20px;"></td></tr></table>	Year	Month	Day			
Year	Month	Day						

General information

As a public service body (PSB), you can elect, on a property-by-property basis, to treat as taxable, certain supplies of real property that would otherwise be exempt. This property can be capital real property, real property that you hold as inventory, or real property that you acquired by way of lease, licence, or similar arrangement for the purpose of supplying the property in the same manner, or for the purpose of assigning the arrangement.

Effect of election

When you make this election for real property, a supply of the property that would normally be exempt when you made it will now generally be treated as taxable.

Note

Certain supplies of the real property will remain exempt even when the election is in effect, for example, supplies of long-term residential accommodation.

If you are a GST/HST registrant, once the election is in effect you may also be entitled to claim input tax credits (ITCs) for GST/HST paid or payable for the property. For example, if you bought 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 tax you paid or owe on purchases and expenses, such as utilities, that are for the property.

Registrants

The following information is for PSBs who are registrants **before** the day this election takes effect. For more information, see "If you become a registrant on the same day the election takes effect" on page 3.

If you are not a GST/HST registrant, see "Non-registrants" on page 3.

If the election becomes effective on the same day you acquire the real property

Where the election becomes effective on the same day that you acquire the real property, you can claim ITCs for the property as follows:

- If you bought the real property, you can claim ITCs for the tax paid or payable on your purchase of the property based on the actual percentage that you use the property in your commercial activities. This means that the primary use rule that you would normally use to determine your ITCs for a purchase of real property does not apply.
- If you acquire the real property by way of lease, licence, or similar arrangement, you can claim ITCs for the tax paid or payable on your lease payments, to the extent that you use the property in your commercial activities.
- You can claim ITCs for the tax paid or payable on purchases and expenses (such as utilities) for the real property to the extent that you use the property in your commercial activities.

Note

If you do not use the property more than 10% in commercial activities, no ITC is available. If you are a charity, you have to follow the ITC rules under the net tax calculation method for charities, unless you made an election not to use that method.

If the election becomes effective after the day you acquire the real property

If you acquired the real property by way of lease, licence, or similar arrangement and the election becomes effective after the day you acquire the property under the arrangement, you can claim ITCs for the tax paid or payable on your lease payments that become due on or after the effective date of the election, to the extent that you use the property in your commercial activities.

If you bought the real property and the election becomes effective after the day you bought it, you are considered to have made a taxable sale of the property just before the effective date of the election and to have bought the property on the effective date of the election. You are also considered to have paid and collected GST/HST on the considered sale equal to the basic tax content (BTC) of the property on the effective date of the election. In this case, the following rules apply:

- Because you are considered to have made a taxable sale of the real property, you can claim an ITC equal to the BTC of the property just before the election took effect. This means that you can now claim an ITC for all or part of the GST/HST that you paid, or that was payable, on your last acquisition of the property (for example, when you originally bought, or last self-assessed on, the property), and on any improvements you made to it, that you could not previously recover.
- You have to report the tax you are considered to have collected on your deemed sale on your GST/HST return for the reporting period in which the deemed sale occurred.
- You can claim an ITC for the GST/HST you are considered to have paid on your deemed purchase to the extent that you use the real property in your commercial activities. This is because the primary use rule that you would normally use to determine your ITCs for a purchase of real property does not apply.
- You can claim ITCs for the tax paid or payable on purchases and expenses (such as utilities) for the real property to the extent that you use the property in your commercial activities.

Note

If you do not use the property more than 10% in commercial activities, no ITC is available. If you are a charity, you have to follow the ITC rules under the net tax calculation method for charities, unless you elected not to use that method.

If you sell the property while election is in effect

If you are a registrant and you make a taxable sale of the property while the election is in effect, you may be entitled to claim an ITC to recover some or all of the GST/HST paid or payable on your acquisition (or deemed acquisition) of the property, and on improvements you made to it, that you could not previously recover. However, special rules may apply to limit the amount of an ITC you can claim in this case. For more information, call us at **1-800-959-8287**.

If you become a registrant on the same day the election takes effect

If you become a registrant on the same day this election takes effect, the rules for claiming an ITC discussed above do not apply. In this case, you may be entitled to claim an ITC for real property if just before you became a registrant, you were a small supplier and you held the real property for consumption, use, or supply in your commercial activities. The amount of the ITC will be based on the tax you are considered to have paid, which is equal to the BTC of the property, and the extent to which you use the property in commercial activities.

For more information about claiming ITCs when you become a registrant, see Guide RC4022, *General Information for GST/HST Registrants*, or call us at **1-800-959-5525**.

Non-registrants

If you are not a GST/HST registrant, you cannot claim an ITC to recover any GST/HST payable on the purchase of real property. As a PSB, you may be entitled to claim a rebate for part of that tax. However, you may not be able to recover the total amount of the tax payable.

If you later sell that real property, you may be able to recover the tax you were previously unable to recover if you have filed this election.

In general, when you file this election for real property, a sale of the real property that would normally be exempt will be taxable.

Note

Certain supplies will stay exempt even if the election is in effect. For example, a sale of used housing is generally exempt.

If your sale of the real property is taxable, you can claim a rebate equal to the BTC of the property at the time of your sale or the amount of the tax payable by the buyer on your sale, whichever amount is less, using Form GST189, *General Application for Rebate of GST/HST*.

Note

Special rules apply for determining the amount of your rebate if you make a taxable sale of the real property to another person with whom you are not dealing at arm's length. For more information, call us at **1-800-959-8287**.

Basic tax content (BTC)

The BTC of a property generally means the GST/HST that you paid or owe on the property, and on any improvements to the property, less any amounts that were, or may be, reimbursed to you such as rebates or remissions, but not including ITCs. The calculation for the BTC also takes into account any depreciation in the value of the property since the last acquisition. For more information on calculating the BTC of a property, see Guide RC4081, *GST/HST Information for Non-profit Organizations*, or Guide RC4082, *GST/HST Information for Charities*.

Filing the election or revocation

To make the election or revoke the election, you have to file this form within one month of the end of the reporting period in which the election or revocation becomes effective. You have to file a separate election or revocation for each property for which you are electing or revoking an election.

If you are a GST/HST registrant, your reporting period is the period for which you regularly file your GST/HST returns.

If you are not a GST/HST registrant, your reporting period is a calendar month.

Duration of the election

The election is effective until you revoke it or until you no longer hold the property. If you revoke the election, the revocation is effective on the date you specify in Section G of this form.

Effect of revocation of the election

When you revoke an election, the revocation is effective on the day you specify in Section G of this form, as long as you file the form within one month after the end of the reporting period in which the election stops being effective. For more information on the date by which you have to file the election, see "Filing the election or revocation" on this page.

If you do not stop being a GST/HST registrant on the effective date of the revocation, you are considered to have:

- made a taxable sale of the property and to have bought it; and
- collected and paid GST/HST equal to the BTC of the property on the effective date of the revocation.

In this case, you have to include GST/HST equal to the BTC of the property on the effective date of the revocation in your net tax calculation for the reporting period that includes the effective date of the revocation, and remit any resulting positive amount of net tax.

If you stop being a GST/HST registrant on the effective date of the revocation, you are considered to have:

- made a taxable sale of the property and to have bought it; and
- collected and paid:
 - where the property **is not** capital property (for example, if it is inventory) GST/HST calculated on the fair market value of the property on the day you stop being a registrant; or
 - where the property **is** capital property (for example, if you held it for use in your commercial activities, but not for resale) GST/HST equal to the BTC of the property when you stopped being a registrant.

In this case, you have to include the applicable amount of GST/HST in your net tax calculation for the reporting period that includes the day you stopped being a registrant, and remit any resulting positive amount of net tax.

You have to remit the GST/HST that you are considered to have collected and have to follow the primary use rules to determine whether an ITC can be claimed. When revoking an election, complete only sections A, B, C, and G.

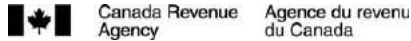
Note

If you revoke your election, you will generally have to account for GST/HST equal to the BTC of the property on the day of revocation in your net tax calculation.

Do you need more information?

For more information, see guides RC4081, *GST/HST Information for Non-profit Organizations*, and RC4082, *GST/HST Information for Charities*, visit our Web site at www.cra.gc.ca, or call us at **1-800-959-5525**.

Appendix 7: Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting Form GST287



ELECTION OR REVOCATION OF THE ELECTION BY PUBLIC SERVICE BODIES TO USE THE SPECIAL QUICK METHOD OF ACCOUNTING

Use this form if you are a registrant and you are: a municipality; a school authority, university, or public college established and operated other than for profit; a hospital authority, external supplier, or facility operator; a specified facility operator; a qualifying non-profit organization; or a designated charity and you wish to use the Special Quick Method of Accounting to determine your net tax. If you are a designated charity, this election is available to you **only** if you meet certain criteria. For more information, see the back of this form or Guide RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

Note

You **cannot** make this election if you are a provincial gaming authority or a listed financial institution.

Part A – Identification											
Name of organization								Business Number			
										R	T

Part B – Eligibility			
Tick the box(es) that define(s) your organization:			
<input type="checkbox"/> Municipality	<input type="checkbox"/> Public college	<input type="checkbox"/> Facility operator	<input type="checkbox"/> Qualifying non-profit organization
<input type="checkbox"/> School authority	<input type="checkbox"/> Hospital authority	<input type="checkbox"/> Specified facility operator	<input type="checkbox"/> Designated charity
<input type="checkbox"/> University	<input type="checkbox"/> External supplier		

Part C – Election or revocation of the election							
<input type="checkbox"/>	I elect to determine the net tax of each reporting period of the above-noted organization using the Special Quick Method of Accounting. I wish to begin using this method effective: <div style="text-align: center;"> <table border="0"> <tr> <td>Year</td> <td>Month</td> <td>Day</td> </tr> <tr> <td> _ _ </td> <td> _ </td> <td> _ </td> </tr> </table> </div>	Year	Month	Day	_ _	_	_
Year	Month	Day					
_ _	_	_					
I understand that any business of supplying telephone services, electricity, or natural gas carried on by the electing organization in a separate division or department is subject to a different net tax calculation using the regular method even though I have made this election.							
<input type="checkbox"/>	I revoke the election to determine the net tax of each reporting period of the above-noted organization using the Special Quick Method of Accounting. I wish to cease using this method effective: <div style="text-align: center;"> <table border="0"> <tr> <td>Year</td> <td>Month</td> <td>Day</td> </tr> <tr> <td> _ _ </td> <td> _ </td> <td> _ </td> </tr> </table> </div>	Year	Month	Day	_ _	_	_
Year	Month	Day					
_ _	_	_					

Part D – Certification		
I certify that the information given on this form and in any attached document(s) is, to the best of my knowledge, true, correct, and complete in every respect, and that I am authorized to sign on the organization's behalf.		
Name (print)	Signature	Year Month Day
		_ _ _ _

Privacy Act, Personal Information Bank number CRA PPU 080

GST287 E (10)

Vous pouvez obtenir ce formulaire en français à www.arc.gc.ca ou au 1-800-959-3376.



Information about the Special Quick Method

Who can make this election?

You have to be a GST/HST registrant to elect to use the Special Quick Method. You must also qualify as one of the following:

- a municipality;
- a school authority, university, or public college established and operated other than for profit;
- a hospital authority, external supplier, or facility operator;
- a specified facility operator;
- a qualifying non-profit organization; or
- a designated charity, one of whose main purposes is to provide employment or employment-related assistance to individuals with disabilities, that is designated because it applied to have some exempt supplies of certain services it provides to registrants made taxable.

Divisions and departments

Generally, your Special Quick Method election applies to all your divisions and departments whether or not they file separate GST/HST returns. However, the election does not apply to separate divisions or departments of your organization that are in the business of providing telephone services, electricity, or natural gas. If you have separate divisions or departments with these business activities, their net tax has to be calculated using the regular method.

When can you make the election?

If you file annual GST/HST returns, you have to make the election on or before the first day of your second fiscal quarter.

If you file monthly or quarterly GST/HST returns, you have to make your election on or before the due date of the return on which you begin using the Special Quick Method.

You can start using the Special Quick Method on the effective date you indicate to us on this form, provided it is the first day of a GST/HST reporting period.

If you previously elected to use the Special Quick Method and had revoked that election, you have to wait a minimum of one year from the date the revocation became effective before you can make the election again.

How do you elect to use the Special Quick Method?

To elect to use the Special Quick Method, complete and send this form to your tax services office. You can find the address at www.cra.gc.ca/tso or by calling us at 1-800-959-5525.

How long does the election stay in effect?

Your election stays in effect until the earlier of:

- the first day of a reporting period in which you no longer qualify as a selected public service body, a specified facility operator, a qualifying non-profit organization, or a designated charity; and
- the day on which the revocation of your election becomes effective.

When and how can you revoke the election?

You can revoke the election only **after** your Special Quick Method election has been in effect for at least one year.

Exception

For reporting periods that include July 1, 2010, or for any reporting period that begins after July 1, 2010, but before July 1, 2011, you can revoke your Special Quick Method election, even if it has not been in effect for at least one year.

To revoke the election, complete and send this form to your tax services office. You can find the address at www.cra.gc.ca/tso or by calling us at 1-800-959-5525.

You have to revoke the election by the due date of the GST/HST return for the last reporting period in which you wish to use the Special Quick Method.

Note

The effective date for revoking your election has to be the first day of a reporting period.

For more information

For more information, see Guide RC4247, *The Special Quick Method of Accounting for Public Service Bodies*, go to www.cra.gc.ca/gsthst, or call 1-800-959-5525.

Appendix 8: Calculation of GST Self-Supply Liability Worksheet

Calculation of GST Self-Supply Liability Worksheet

File # _____
 Society Name: _____
 Project Location: _____ IAD: _____

1) Calculation of GST Payable by Society

Total Actual GST Paid on Project (incl furniture and appliances) *		\$0
Less: GST paid on proposal development costs (pre-construction)	\$0	
Less: GST paid on preliminary architect / engineering work	\$0	
Less: GST paid on consulting training	\$0	
Less: GST paid on rezoning costs	\$0	
Less: GST paid on soil/topography/environmental studies	\$0	
Less: GST paid on development cost charges (**)	\$0	
Less: GST paid on landscaping	\$0	\$0
GST Payable - Line 103 of GST Return		\$0

* Include GST on land if land was purchased by Society and purchase was subject to GST

** Deduct GST paid to a Municipality for repair, maintenance, and installation work for public water distribution systems, sewers and drainage system; installing, replacing, repairing and removing street or road signs, or barriers, street or traffic lights; repairing or maintaining roads, streets, sidewalks, or similar or adjacent property; or installing accesses or egresses. Such supplies are exempt and any GST charged is an error.

2) Calculation of Rebate Claimable by Society

A) Society IS designated as a municipality AND project has RGI units

Enter % of RGI Units	60%	Rebate rate	100%	\$0
Enter % of Non RGI Units	40%	Rebate rate	50%	\$0
Total (must = 100%)	<u>100%</u>			

Rebate Claim - Line 300 of Rebate Form 66 and Line 111 of GST Return **\$0**

B) Society is NOT designated as a municipality but is registered charity or qualifying non-profit organization

Rebate Claim - Line 305 or 306 of Rebate Form 66 and Line 111 of GST Return **\$0**

Prepared by: _____ Date: _____

Approved by: _____ Date: _____

DO NOT SEND THIS FORM TO THE CANADA REVENUE AGENCY

ADVISE DIRECTOR, FINANCE AT BC HOUSING IF THE CRA AUDITS SOCIETY

Appendix 9: Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund Form GST66



Canada Revenue Agency / Agence du revenu du Canada

Protected B
when completed

Application for GST/HST Public Services Bodies' Rebate and GST Self-Government Refund

Public service bodies' rebate – Use this form to claim a rebate if you are a municipality, hospital authority, external supplier, facility operator, charity, public institution, or qualifying non-profit organization, or if you are a university, school authority, or public college that is established and operated otherwise than for profit.

Self-government refund – Use this form if you are eligible to claim a self-government refund of the GST or the **federal** part of the HST under a self-government agreement.

For more information, see "General information" on the back of this form.

Part A – Identification															
Business Number (if applicable)				Name				Operating/trade name (if different from name)							
Mailing address (Street No., and suite No. or PO Box)				City		Province or territory		Postal code							
Physical location (if different from mailing address)				City		Province or territory		Postal code							
Contact person															
Telephone number				Charity registration number (if you are a registered charity)				What is your fiscal year-end?		Month		Day			
Part B – Claim period															
Period covered by this application:															
				From		to		Year		Month		Day			
Part C – Offset on GST/HST return (This part applies to GST/HST registrants only.)															
Is the amount on line 409 of this form being included on line 111 of your GST/HST return? Yes <input type="checkbox"/> No <input type="checkbox"/>															
								If yes , enter the reporting period end date of your GST/HST return.		Year		Month		Day	
Part D – Details of claim															
Enter on the appropriate line the amount of rebate that you are claiming for each activity that you perform. If you engage in various activity types, see Guide RC4034, <i>GST/HST Public Service Bodies' Rebate</i> , for more information.															
If you are claiming a rebate of the provincial part of the HST (line B) use Form RC7066 SCH, <i>Provincial Schedule – GST/HST Public Service Bodies' Rebate</i> .															
Line #	Activity type							Rebate factor	Federal						
300	Municipality							100%							
301	University (or affiliated college or research body) established and operated on a non-profit basis							67%	+						
302	School authority established and operated on a non-profit basis							68%	+						
303	Public college established and operated on a non-profit basis							67%	+						
304	Hospital authority (only on activities of operating a public hospital)							83%	+						
305	Charity or public institution on non-selected public service body activities (defined on the back of this form)							50%	+						
306	Qualifying non-profit organization on non-selected public service body activities (see "Line 306 – Qualifying non-profit organizations" on the back of this form)							50%	+						
307	Printed books (do not include in other activity types)							100%	+						
308	Goods and services exported by a charity or public institution							100%	+						
309	Self-government refund							100%	+						
310	Hospital authority (for eligible activities other than the operation of a public hospital) – (See "Lines 310, 311 and 312" on the back of this form)							83%	+						
311	Facility operator (on eligible activities) – (See "Lines 310, 311 and 312" on the back of this form)							83%	+						
312	External supplier (on eligible activities) – (See "Lines 310, 311 and 312" on the back of this form)							83%	+						
Total federal amount claimed (add lines 300 to 312)							A	+							
Total provincial amount claimed (from Form RC7066 SCH)							B	+							
Total amount claimed (line A plus line B)							409	=							
FOR INTERNAL USE ONLY															
IC							NC								

Part E – Certification				
I certify that the information given on this form and in any documents attached is, to the best of my knowledge, true, correct, and complete in every way. The amount on line 409 on this form or any part of it has not previously been claimed; books, records, and invoices are available for inspection; and I am authorized to sign for the organization.				
Print name	Title			
Signature	Telephone number	Year	Month	Day

Privacy Act, personal information bank number CRA PPU 091

General information

Line 306 – Qualifying non-profit organizations

If you are a qualifying non-profit organization, you must send us a completed Form GST523-1, *Non-Profit Organizations – Government Funding*, each year. Do **not** send us your annual reports or financial statements.

Lines 310, 311, and 312

A rebate of 83% of GST and the **federal** part of HST is available for expenses incurred by eligible charities, public institutions, and qualifying non-profit organizations to the extent that they are also a facility operator or an external supplier. Hospital authorities are eligible for the rebate if their expenses are incurred in activities engaged in by the person in the course of operating a qualifying facility for use in making facility supplies, or of making facility supplies, ancillary supplies, or home medical supplies.

Definition

Non-selected public service body activities – are activities other than:

- those activities for which a person was designated as a municipality; or
- activities carried out in the course of:
 - fulfilling responsibilities as a local authority;
 - operating a public hospital, an elementary or secondary school, a post-secondary college or technical institute, a recognized degree-granting institution or a college affiliated with or a research body of such a degree-granting institution; or
 - making facility supplies, ancillary supplies, or home medical supplies or operating a qualifying facility for use in making facility supplies.

What is your application claim period?

If you are a **GST/HST registrant**, your claim period is your reporting period.

Note

If you want to use the rebate from a claim period to reduce an amount payable on your GST/HST return, complete Part C in addition to the other parts.

If you are a **non-registrant**, you can file an application for the period covering the first six months of your fiscal year and another application for the period covering the last six months of your fiscal year. Each of those periods is one of your claim periods.

How do you file this application electronically?

GST/HST registrants – You can file this application electronically with your GST/HST return using:

- GST/HST NETFILE at www.cra.gc.ca/gsthst-netfile;
- "File a return" at www.cra.gc.ca/mybusinessaccount if you are a business owner; or
- "File a return" at www.cra.gc.ca/representatives if you are a representative (including employees).

Non-registrants – You can file your rebate electronically by using "File a rebate" at:

- www.cra.gc.ca/mybusinessaccount if you are a business owner; or
- www.cra.gc.ca/representatives if you are a representative (including employees).

If you are filing this rebate application electronically, you must also file any associated provincial rebate application electronically.

Where to send this form if you choose to file your application by paper?

If you are resident in Sudbury/Nickel Belt, Toronto Centre, Toronto East, Toronto West, Toronto North, or Barrie, send this completed form to:

**Canada Revenue Agency
Sudbury Tax Centre
1050 Notre Dame Avenue
Sudbury ON P3A 5C1**

If you are resident anywhere else in Canada, send this completed form to:

**Canada Revenue Agency
Summerside Tax Centre
275 Pope Road, Suite 103
Summerside PE C1N 6A2**

For more information

For more information, go to www.cra.gc.ca/gsthst, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*, or call 1-800-565-9353.

Appendix 10: Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return (Non-personalized) Form GST62

This form is an example of a non-personalized GST return. If you are registered for GST, you should receive a pre-printed, personalized version with your organization's name, GST number and filing period from CRA.



Canada Customs and Revenue Agency

Agence des douanes et du revenu du Canada

GOODS AND SERVICES TAX / HARMONIZED SALES TAX (GST/HST) RETURN (NON-PERSONALIZED)

Business Number	Name	Part 1
Reporting period From: To:	Due date	

► Copy your Business Number, the reporting period and the amounts from the **highlighted** line numbers in **Part 1** of this return to the corresponding boxes in **Part 2**. Keep the top portion (**Part 1**) for your records.

Privacy Act Personal Information Bank number RCC/P-PU-080.

Enter your total sales and other revenue . Do not include provincial sales tax, GST, or HST. If you are using the Quick Method of accounting, include the GST or HST.	101	
--	------------	--

NET TAX CALCULATION

Enter the total of all GST and HST amounts that you collected or that became collectible by you in the reporting period.	103	
Enter the total amount of adjustments to be added to the net tax for the reporting period (e.g., GST/HST obtained from the recovery of a bad debt).	104	
Total GST/HST and adjustments for period (add lines 103 and 104) →		

105	
------------	--

Enter the GST/HST you paid or owe on qualifying expenses (input tax credits – ITCs) for the current period and any eligible unclaimed ITCs from a previous period.	106	
Enter the total amount of adjustments to be deducted when determining the net tax for the reporting period (e.g., GST/HST included in a bad debt).	107	
Total ITCs and adjustments (add lines 106 and 107) →		

108	
------------	--

NET TAX (subtract line 108 from line 105). If the result is negative, enter a minus sign in the separate box next to the line number.

109	
------------	--

OTHER CREDITS IF APPLICABLE

Note: Do not complete line 111 until you have read the instructions in the box on the reverse side of this return.

Enter any instalment and other annual filer payments you made for the reporting period. If the due date of your return is June 15, see instructions on the back.	110	
Enter the total amount of the GST/HST rebates , only if the rebate form indicates that you can claim the amount on this line. Attach the rebate form to this return.	111	
Total other credits (add lines 110 and 111) →		

112	
------------	--

BALANCE (subtract line 112 from line 109). If the result is negative, enter a minus sign in the separate box next to the line number.

113 A	
--------------	--

OTHER DEBITS IF APPLICABLE

Note: Do not complete line 205 or line 405 until you have read the instructions in the box on the reverse side of this return.

Enter the total amount of the GST/HST due on the acquisition of taxable real property .	205	
Enter the total amount of other GST/HST to be self-assessed .	405	
Total other debits (add lines 205 and 405) →		

113 B	
--------------	--

BALANCE (add lines 113 A and 113 B). If the result is negative, enter a minus sign in the separate box next to the line number.

113 C	
--------------	--

Line 114 and line 115: If the result entered on line 113 C is a negative amount, enter the amount of the refund you are claiming on line 114. If the result entered on line 113 C is a positive amount, enter the amount of your payment on line 115.

▼ Detach and return lower portion (Part 2) ▼

REFUND CLAIMED
114

PAYMENT ENCLOSED
115

GST62-5 E (02)



Canada Customs and Revenue Agency / Agence des douanes et du revenu du Canada

GST/HST RETURN (NON-PERSONALIZED)

Part 2

YOU MUST COMPLETE THIS AREA AND THE REVERSE AREA.

Business Number		Reporting period
		From: Year Month Day To: Year Month Day

GST62-5 E (02)

Sales and other revenue	101		Total GST/HST and adjustments for period	105	
Instalments and other annual filer payments	110		Total ITCs and adjustments	108	
Rebates	111		Net tax	109	
GST/HST due on acquisition of taxable real property	205		Refund claimed	114	
Other GST/HST to be self-assessed	405		Payment enclosed	115	

I certify that the information given on this return and in any attached documents is, to the best of my knowledge, true, correct, and complete in every respect, and that I am the person required to file this return, or that I am authorized to sign on behalf of the person. It is a serious offence to make a false return.

Authorized signature

Date

General Information and Instructions

If you are entitled to a refund

Mail your return to the address below.

CANADA CUSTOMS AND REVENUE AGENCY
TAX CENTRE
PO BOX 20004 STN A
SUDBURY ON P3A 6B4

If you owe money

You may be able to pay electronically through your financial institution's telephone banking, Internet banking, or automated bank machines. Visit our Web site at www.ccr.ca/electronicpayments or contact your financial institution to see if it offers these services.

To make your payment directly to CCRA, return the bottom portion with your cheque or money order made payable to the Receiver General to the address shown above. To help us credit your payment, write your Business Number on the back of your cheque or money order. To make your payment free of charge at your financial institution in Canada, present this form to the teller with your payment. The teller will return the top portion as your receipt.

If your payment is \$50,000 or more, you must make it at your financial institution in Canada.

Your financial institution will not accept your return and you will have to mail it to us if:

- you are claiming a refund; or
- you are using a photocopy of this form.

If you are paying at a financial institution and your return requires attached documentation, you will be asked to send this additional information to us separately.

Do not staple, paper clip, tape, or fold voucher or your cheque.

We will not charge or refund a balance of less than \$2.

Only complete the lines of the return that apply to you. Complete the return in Canadian dollars and sign it.

Copy your Business Number, the reporting period and the amounts from the **highlighted** boxes in Part 1 of the return to the corresponding boxes in Part 2. Identify a negative number with a minus sign in the separate box next to the line number.

GST/HST returns and remittances can be filed electronically through products and services that have been tested by us. For more information, call our Business Enquiries line at 1-800-959-5525.

Keep this top part of the return for your records.

This is your working copy. It and any other information you use to prepare your return are subject to audit and must be retained for verification purposes.

Annual filer with a June 15 due date

If you are an individual with business income for income tax purposes and have a December 31 fiscal year-end, the due date of your return is June 15. However, any GST/HST you owe is payable by April 30. This payment should be reported on line 110 of your return.

Generally, you have to file a GST/HST return for every reporting period, even if the return reports a zero balance.

If you are using the **Quick Method of accounting**, see our booklet called *Quick Method of Accounting for GST/HST*, and use the line-by-line completion instructions in our guide called *General Information for GST/HST Registrants*.

If you are a **charity**, see our guide called *GST/HST Information for Charities* for information on completing your net tax calculation.

For more information on adjustments, input tax credits (ITCs), self-assessing, or completing this return, see our guide called *General Information for GST/HST Registrants*, or contact us.

Line 111: Some rebates can reduce or offset your amount owing. Those rebate forms contain a **Yes/No** question asking you if you want to claim the rebate amount on line 111 of your GST/HST return.

If you want to apply a rebate against the amount owing on this return, check the **Yes** box on the rebate form. Enter the rebate amount on line 111 of this return. **Attach the rebate form to this return and send both to us.**

Line 205: Complete this line **only** if you are a GST/HST registrant who purchases taxable real property for use or supply primarily (more than 50%) in your commercial activities and you are either registered (other than an individual who purchases a residential complex) or purchased the property from a non-resident. If you qualify for an input tax credit (ITC) on the purchase, claim this amount on line 106.

Line 405: Complete this line **only** if you are a GST/HST registrant who has to self-assess GST/HST on an imported taxable supply or who has to self-assess the provincial part of HST.

Detach and return this part.

You must enter your Business Number, name and address below.

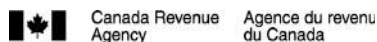
Business Number	
Full legal name	
Trading name (if different from above)	
Mailing address (No., street and apt. number)	
City	
Province	Postal code
Contact name	
Telephone number	

Teller's stamp

Teller's stamp

For office use only

Appendix 11: Non-Profit Organizations – Government Funding Form GST523



Protected A
when completed

Non-profit Organizations – Government Funding

Your non-profit organization may qualify for the public service bodies' rebate if its percentage of government funding is at least 40% of its total revenues.

The head office of your organization has to file this form to claim a public service bodies' rebate as a qualifying non-profit organization. This form can be filed using the "File a rebate" online service at www.cra.gc.ca/mybusinessaccount or at www.cra.gc.ca/representatives, or by sending it to us.

Part A – Identification of the non-profit organization			
Name of the non-profit organization		Business Number (if applicable)	
Trading name (if different from legal name)		R T	
Mailing address	City	Province or territory	Postal code
Physical location (if different from mailing address)	City	Province or territory	Postal code
Contact person	Contact person title	Telephone number of contact person	
Part B – Eligibility			
Indicate the fiscal year for which you want to be considered a qualifying non-profit organization:			Year Month Day
Answer all questions below by ticking the appropriate box.			
1. Does your organization have branches or divisions that file separate rebate applications?		<input type="checkbox"/>	Yes <input type="checkbox"/>
2. Is your organization organized and operated solely for non-profit purposes?		<input type="checkbox"/>	Yes <input type="checkbox"/>
3. Is any part of the income of your organization payable to or otherwise available for the personal benefit of any proprietor, member, or shareholder?		<input type="checkbox"/>	Yes <input type="checkbox"/>
4. Is the government funding of your organization clearly identified in the financial statements of the organization?		<input type="checkbox"/>	Yes <input type="checkbox"/>
5. Is any of the government funding of your organization received from an intermediary organization?		<input type="checkbox"/>	Yes <input type="checkbox"/>
If you answered yes to question 5, do you have Form GST322, <i>Certificate of Government Funding</i> , completed by the intermediary organization in your files? (We may ask for a copy to support your claim.)		<input type="checkbox"/>	Yes <input type="checkbox"/>
Part C – Details of government funding			
For a complete list of what government funding includes, see Guide RC4034, <i>GST/HST Public Service Bodies' Rebate</i> .			
If you are using option (a) of Part D, provide the names of your sources (grantors) of government funding for your first fiscal year. If you are using option (b) of Part D, provide the names of your sources (grantors) of government funding for the fiscal year indicated in Part B. If you are using option (c) of Part D, provide the names of your sources (grantors) of government funding for your two immediately preceding years. Do not use abbreviations.			Amount
Total			

Part D – Calculation**Calculation options:**

If the fiscal year indicated in Part B is your first fiscal year, use (a). If it is your second fiscal year, use the **greater** of (a) or (b). In all other cases, use the **greater** of (b) or (c).

Tick one of the following boxes to indicate the **calculation option** you used to calculate your government funding:

- (a)
$$\frac{\text{Government funding for the first fiscal year}}{\text{Total revenue for the first fiscal year including government funding}} \times 100$$
- (b)
$$\frac{\text{Government funding for the current fiscal year}}{\text{Total revenue for the current fiscal year including government funding}} \times 100$$
- (c)
$$\frac{\text{Government funding for the two immediately preceding fiscal years}}{\text{Total revenue for the two immediately preceding fiscal years including government funding}} \times 100$$

Identify the period end of your **two** immediately preceding fiscal years:

Year	Month	Day

 and

Year	Month	Day

Do the following calculation to find your percentage of government funding:

Government funding: \$ _____ ÷ Total revenue: \$ _____ × 100 = _____ %

Part E – Certification

I, _____, (print name) certify that the information given on this form and on any attached document is, to the best

of my knowledge, true, correct, and complete in every respect, and that I am authorized to sign on behalf of the non-profit organization identified in Part A.

Signature of authorized person who represents the non-profit organization	Title	Year	Month	Day

Privacy Act, personal information bank number CRA PPU 091

General information**Who should complete this form?**

The head office of your organization has to complete this form to claim a public service bodies' rebate as a qualifying non-profit organization. This form can be filed online or by sending it to the Canada Revenue Agency. It has to be filed for each fiscal year to demonstrate that you meet the percentage of government funding test for the year, and to support your calculation of the percentage. Once we establish the eligibility of your organization, we can process your rebate claims based on the information provided.

Depending on the method you use to determine your revenues for the fiscal year, government funding is recorded either when it is received or when it becomes receivable. Ongoing revenue, such as sales, membership fees, or revenue items for activities extending over a number of years, is to be recorded when it is received or when it becomes receivable, whichever date is earlier.

Note

If your organization is a **registered charity** or a **registered Canadian amateur athletic association** under the *Income Tax Act*, you are **not** required to complete this form. You have to claim your public service bodies' rebate on line 305 of Form GST66 or GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*.

Where do you have to send this form?

If you choose to file this form using the "File a rebate" online service, **do not send us** a paper copy of this form.

If you choose **not** to file using the "File a rebate" online service, send this completed form to the address below that applies to you.

If you are resident in Sudbury/Nickel Belt, Toronto Centre, Toronto East, Toronto West, Toronto North, or Barrie, send this completed form to:

**Canada Revenue Agency
Sudbury Tax Centre
1050 Notre Dame Avenue
Sudbury ON P3A 5C1**

If you are resident anywhere else in Canada, send this completed form to:

**Canada Revenue Agency
Summerside Tax Centre
275 Pope Road, Suite 103
Summerside PE C1N 6A2**

Forms and publications

To get our forms and publications, go to www.cra.gc.ca/forms or call 1-800-959-5525.

What if you need help?

For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*, go to www.cra.gc.ca/gsthst, or call 1-800-959-5525.

Appendix 12: Certificate of Government Funding Form GST322

Certificate of Government Funding

Complete this form if you are an intermediary organization funding a non-profit organization (NPO), to certify that funds are a flow-through of government funding under the *Public Service Body Rebate (GST/HST) Regulations*. For more information, see "General Information" on the back of this form.

Please do not use abbreviations.

Section A – Intermediary organization			
Your legal name		Business Number	
Trading name (if different from legal name)		R T	
Mailing address			
City	Province	Postal code	
Contact person	Title	Telephone number	
Section B – Funding information			
Type of grantor (tick one box only)			
<input type="checkbox"/> Federal government <input type="checkbox"/> Provincial government <input type="checkbox"/> Municipality <input type="checkbox"/> A corporation that is controlled by a government or by a municipality and one of its main purposes is to fund charitable or non-profit activities <input type="checkbox"/> A trust, board, commission or other body that is established by a government, municipality, or a corporation (as described above) and one of its main purposes is to fund charitable or non-profit activities <input type="checkbox"/> Indian band			
Grantor's name (include name of department or ministry)			
From whom did you receive the funding?			
Directly from the grantor <input type="checkbox"/> ► Continue to "NPO's name" Another organization that received the funding directly from the grantor <input type="checkbox"/> ► Continue below			
Name of the organization from which you received the government funding			
NPO's name			
Purpose of government funding to the NPO (tick one box only)			
<input type="checkbox"/> To help the NPO meet its objectives (goals) <input type="checkbox"/> To pay the NPO for exempt supplies provided to a third party			
Amount of government funding paid to the NPO		► \$	Date paid
		Year	Month Day
Section C – Certification			
I certify that the information given on this form and in any attached document is, to the best of my knowledge, correct and complete, and that I am authorized to sign for the intermediary organization. I also certify that the amount described on the certificate is government funding.			
Name (print)		Signature	
		Year	Month Day

Privacy Act Personal Information Bank number RCC/P-PU-091

Appendix 13: Registering a Charity for Income Tax Purposes T4063



Canada Revenue Agency
Agence du revenu
du Canada

Registering a Charity for Income Tax Purposes

Is this guide for you?

This guide will help you to complete Form T2050, *Application to Register a Charity under the Income Tax Act*.

Form T2050, this guide, and our other forms and publications can be found at www.cra.gc.ca/charities, under “Charities-related forms and publications” or by calling 1-800-267-2384.

Glossary

We refer to key terms in this guide. For definitions of these terms, go to www.cra.gc.ca/charities, and under “Glossary,” see “Definitions.” The terms in the Glossary do not replace enacted or proposed law.

Alternate formats

If you have a visual impairment, you can get our publications in Braille, large print, etext (CD), or MP3 by going to www.cra.gc.ca/alternate or by calling 1-800-959-2221.

Copying our information

The information in this publication can be copied for personal or public non-commercial purposes, without charge.

You are asked to:

- copy the information accurately;
- give the title of this publication and name the Canada Revenue Agency as the author; and
- state that your material is a copy of an official work published by the Government of Canada and that your copy has not been endorsed by, or produced in affiliation with, the Government of Canada.

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La version française de cette publication s'intitule *L'enregistrement d'un organisme de bienfaisance aux fins de l'impôt sur le revenu*.

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Canada Revenue Agency's Service Pledge

You can expect reliable, responsive, fair service in the official language of your choice. We will provide this service to you, explain our decisions and actions, and seek your suggestions on ways to improve our service.

Charities Directorate

The Charities Directorate of the Canada Revenue Agency (CRA) administers the *Income Tax Act* and the *Charities Registration (Security Information) Act* as they apply to registered charities.

What is a registered charity?

Organizations that are charities and meet the requirements of the *Income Tax Act* can become **registered charities** with the CRA. A registered charity is assigned a registration number and can issue tax receipts.

Before you start

It is important to determine if registration is right for your organization. There are a number of legislative and regulatory obligations a registered charity must meet for the various levels of government (federal, provincial, territorial, and municipal). A registered charity also has obligations to the recipients of its charitable activities, to its volunteers, to its donors, and to the general public.

Before you complete and send Form T2050, *Application to Register a Charity under the Income Tax Act*, to the Charities Directorate, **we recommend that you read the information on our Web pages at www.cra.gc.ca/charityapplication**. Our Web pages provide valuable information to help you make an informed decision. This information includes:

- advantages of registration;
- consequences of voluntarily ending registration;
- definition of a registered charity versus a non-profit organization, and the requirements of each under the *Income Tax Act*;
- factors that will prevent an organization from being registered as a charity;
- consequences of not meeting the obligations of registration as a charity; and
- registration requirements for registered national arts service organizations and registered Canadian amateur athletic associations.

Our Web pages are updated with information on policy and legislation, and they are the starting point for any organization that is considering charitable registration.

Before sending us an application, ask yourself:

Are there other registered charities with the same purposes and activities?

There are about **85,000** registered charities in Canada. Some may already be doing the same kind of charitable work as your organization, and in the same region.

Many charities find it difficult to get access to the limited funding that is available to the charitable sector, and this can be a problem for new charities.

Before setting up a charity, you should think about offering your services to, or combining with, an existing charity that may be doing similar charitable work.

For example, if your organization will be providing financial and/or material relief to the victims of natural disasters or sudden catastrophes, you may want to consider offering money or services to an existing charity.

Is it important for your organization to be able to issue official donation receipts?

In certain cases, it may be more beneficial to an organization to structure itself to operate as a non-profit organization instead of a registered charity. Non-profit organizations cannot issue official donation receipts; they are not limited to the same regulatory and legislative requirements as registered charities; and some non-profit organizations may qualify for tax-exempt status.

To be tax-exempt as a non-profit organization, an organization cannot be eligible for registration as a charity. The CRA tax services offices are responsible for determining if an organization qualifies for tax-exempt status as a non-profit organization. For more information, go to www.cra.gc.ca/forms, and search for "Bulletin IT496, *Non-Profit Organizations*."

Application review process

What happens after my application is received?

After we receive your application, we will review it for completeness (for example, all questions are answered, and complete financial statements and governing documents are included). If it is not complete, we will return it to you, identifying what information is required from you before we can process the application.

We will then decide if it is a **simple application** (we have all the information we need to determine if the organization qualifies for charitable registration), or a **regular application** (we need more information before we can determine if the organization qualifies for charitable registration).

We aim to review simple applications within two months, and regular applications within six months. For our service standards, go to www.cra.gc.ca/charities, and, under “Related links”, select “Service standards”.

If we decide that you have submitted a regular application, we will send you an acknowledgement letter. Your application will then be assigned to an officer for review on a first-in, first-out basis.

If you need to have your application reviewed on a priority basis, you must send us details in writing to explain why. We will not assign priority to an application only because you want to give tax receipts for donations or receive grants from funding agencies. These situations are shared by almost all organizations applying for registration.

What causes delays?

Delays in processing occur for many reasons, most commonly as a result of missing or incomplete information. Organizations can avoid delays by:

- sending detailed financial information;
- giving us enough details on the organization’s activities, to allow us to determine whether the activities are charitable at law;
- making sure that the organization’s legal (official) purposes/objects as stated in its governing document, reflect its statement of activities; and
- including details on any arrangements in place between the organization and any third party, especially if that is how the organization is operating outside Canada.

During the review process, we may ask for documents or details that we need to continue processing your application. If you do not respond by the date we specified we will close the file without contacting you.

If your application is approved

We will send you a **notification of registration** letter. This letter will include important information about the rights and obligations of a registered charity (for example, a registered charity’s requirement to file its annual information return), and will also provide the registered charity with a charitable business number (see Q4 “Business number” in the next section).

The notification of registration letter should be kept with the charity’s books and records for the duration of the charity’s existence, plus two years after the charity ceases to exist.

If the organization is not likely to qualify

We will send a letter explaining why. You will have **60 days** to reply to our concerns. If you do not respond by the date we specified we will close the file without contacting you.

If the organization is denied registration

We will send you a **notice of refusal to register** letter. The organization can appeal the decision by filing a notice of objection within **90 days** of the day on which the Minister of National Revenue’s decision was mailed. In all cases, the organization will have to provide the reasons for the objection and all the relevant facts. An organization can file a notice of objection to the Minister by writing to:

Assistant Commissioner
Appeals Branch
Canada Revenue Agency
13th Floor
250 Albert Street
Ottawa ON K1A 0L5

Completing Form T2050, Application to Register a Charity Under the Income Tax Act

The following questions correspond to the question numbers on Form T2050, *Application to Register a Charity under the Income Tax Act*. All questions that apply must be answered. If a question does not apply to your organization, tick “N/A” (not applicable) or enter “N/A” in the space provided. Where answers to questions are left blank, **we may ask for the missing information, or we may reject the application as not complete.**

If there is not enough space on the application to provide the requested information, attach more sheets with the organization’s name at the top of each sheet and the question number to which the sheet relates.

Send your completed application to:

Charities Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5

You should keep a copy of your completed application.

Who should complete the application?

The application form should be completed by either:

- a person holding a responsible position in the organization (for example, the chairperson, president, or treasurer); or
- a person appointed by the organization to act on its behalf (for example, a legal representative).

Part 1 – Identification of the organization applying for registration

Q1 Current legal name of the organization

Give the legal name of the organization as it appears on its governing document. A charity is registered under this name only.

Q2 Current operating or trade name
Give the current operating name, trade name, translated name, or any other name that the organization uses or is known by.

Q3 Previous names
Give any other name under which the organization has operated.

Q4 Business Number
A business number (BN) is assigned to organizations that have accounts with the CRA. Having a BN does not mean that an organization is a business.

Give the organization's BN, if it already has one.

An organization does not need to have a BN before it applies for charitable registration.

The BN consists of two parts:

- nine digits to identify an organization (for example, 12345 6789); and
- two letters and four digits to identify the type of accounts an organization might have (for example, the suffix RR0001 is used to identify charity accounts).

A sample BN identifying an organization as a charity could be: 12345 6789 **RR**0001. This same organization might also be a GST/HST registrant, and its GST/HST account could be identified by the BN 12345 6789 **RT**0001. To help identify what number should be assigned to a successful applicant for registration as a charity, we need to know if an organization already has a BN with us.

Note

Although a charitable business number is opened for each applicant as part of the registration process, this account is not valid unless the organization becomes registered. Therefore, **if an organization issues a receipt to a donor using an unregistered account, that receipt will not be accepted.**

Q5 Mailing address
Give a complete address (street name and number, floor, suite or apartment number, post office box number, rural route number, postal code). This is the address we will use when we send mail to the organization.

Give the organization's telephone number, fax number, and Web site address, if any. **Do not give an email address in this section.** At this time, we cannot use email to discuss the details of an application.

Q6 Previous contact with CRA
If the organization has previously applied for charitable status and has received correspondence from us, give the reference number assigned to the organization by the Charities Directorate. This reference number is on the first page of any written correspondence sent from the Directorate.

Q7 Re-registration
If the organization was registered as a charity and had its registration revoked, and this application is for re-registration, tick **Yes**, and complete sections a) and b).

If you are applying for an organization that has had its charitable registration revoked, we recommend that you go to our Web pages at www.cra.gc.ca/charityapplication and see "Re-registration."

Part 2 – Organizational structure

Q8 Internal divisions of Canadian registered charities
An internal division is a branch, section, or division of a registered charity. It does not have its own governing document but operates under the governing document of its head body.

An internal division must give us a **letter of good standing** from its head body

For more information on internal divisions, go to www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/ntrnldvsns-eng.html.

For more clarification or advice on your particular situation, contact us at: **1-800-267-2384**.

Q9 Governing documents
Every registered charity (other than an internal division) must be established by a governing document such as **letters patent, articles of incorporation, trust document, or constitution**. This document must identify the purposes for which the organization is established and describe its structure and internal procedures.

Note

A non-exhaustive list of charitable purposes/objects that have been pre-approved as being acceptable is on our Web pages at www.cra.gc.ca/charityapplication under "Model objects."

An organization's governing document forms part of its application for charitable registration and a complete, legible paper copy must be included with the application. **All amendments to any governing document must be submitted along with the original establishing document.**

Registered charities are designated as **charitable organizations, public foundations, or private foundations**.

Charitable organizations can either be incorporated or established by a constitution or trust document.

Public or private foundations can only be incorporated, or established in the form of a trust.

For a detailed description of these three types of designations, go to www.cra.gc.ca/charityapplication and see "Types

of registered charities (designations).” A brief description is also provided at **Q10**.

Q9.1 Incorporated

Incorporating documents vary, depending on which federal, provincial, or territorial statute an organization is incorporated under. For example, the documents could be a certificate and articles of incorporation, letters patent, or a memorandum of incorporation. For information on legislative requirements of incorporation, see the incorporating authority’s Web site.

For federal incorporation, visit the Industry Canada Web site at www.corporationscanada.ic.gc.ca and see the section on creating a not-for-profit organization. For provincial or territorial incorporation, go to www.cra.gc.ca/charities and, under “Related links,” see “Provincial and territorial government contacts.”

Incorporation under some federal and provincial statutes may not be acceptable for charitable registration. In particular, most business corporations acts (federal and provincial) are designed for businesses that intend to earn a profit. Organizations that want to be registered as a charity and want to incorporate under a business corporations act should make sure that the act, or the section of the act, under which they choose to incorporate is suitable for a non-profit organization seeking registration as a charity.

In addition, certain provincial statutes have clauses that can be problematic for registration. Common examples are described on our Web pages at www.cra.gc.ca/charityapplication. Go to “Governing documents” and see “Incorporation documents.”

Q9.1a) Incorporating documents

We need a complete and legible paper copy of the document bearing the seal, signature, or stamp of the federal, provincial, or territorial incorporating authority acknowledging its approval of the incorporation. Copies of any later documents that amend the governing document (for example, supplementary letters patent) are part of the organization’s governing documents, and **must** be included with the application for registration.

Q9.1b) Bylaws

An incorporated organization’s bylaws usually form part of its incorporating documents. If the bylaws do not require a stamp from the incorporating authority, they should be signed by at least two directors, trustees, or like officials. **Include the effective date of the bylaws and the date that each of the two officials signed the bylaws.**

Q9.1c) Certificate of good standing or its equivalent

A certificate of good standing is a document issued by the relevant federal, provincial, or territorial incorporating authority stating that the

organization is duly incorporated and that it is in good standing under the constituting legislation. The name of this document may vary from jurisdiction to jurisdiction. Contact the relevant federal, provincial, or territorial incorporating authority for a copy of this document.

A certificate of good standing is required in the following circumstances:

New applicants: When an organization has existed for five or more fiscal year-ends between the day it was incorporated and the day it applied for registration, we must receive a certificate of good standing.

Re-registrations: Incorporated entities applying to be re-registered must always submit a certificate of good standing.

Q9.2 a) Not incorporated

If an organization is not incorporated and does not want to incorporate for charitable registration, it will need to send us a constitution, trust, will, or other governing document. A list of requirements for a constitution and trust document can be found at www.cra.gc.ca/charityapplication under “Governing documents.”

If the organization is not incorporated, but has bylaws, these may be accepted as the organization’s governing document, as long as they contain all the required elements of a constitution. Submit a paper copy of the bylaws, along with any amendments, including the effective date of the bylaws, signed and dated by at least **three** directors.

Although a document produced by an organization itself, such as a constitution or trust deed, may be acceptable for purposes of registration as a charity under the *Income Tax Act*, the document may not be acceptable for other purposes. An organization that intends to establish a trust should get independent legal advice.

Note

Organizations that own, or intend to own, land or buildings are usually incorporated for the purpose of holding title to the real property. An unincorporated charity can also have the use of real property where it is held in trust by trustees acting for the organization. For more information, see **Q16b**.

Will the Charities Directorate accept draft governing documents?

The Directorate will review draft governing documents on a one-time basis, but only if they are submitted with a complete application form (with all required documentation).

Following this review, we will notify the organization in writing of our opinion as to whether the organization is likely to qualify for registration. We cannot base a final decision

regarding registration on draft or partial information.

If we believe that the organization is likely to qualify for registration, we will contact the organization's representative, and ask them to send us formal governing documents **within 60 days**. If we do not receive these documents on time, the application will be **closed** without further contact from us. In this situation, the organization does not have the right to appeal our action because the organization will not have been officially denied registration.

Q10 Designation

The answer given to this question will help determine whether the applicant is designated as a **charitable organization**, a **public foundation**, or a **private foundation**.

The designation a charity receives depends on its structure, its source of funding, and its mode of operation. We apply various criteria to determine the designation of a registered charity. For more information, go to www.cra.gc.ca/charityapplication and see "Types of registered charities (designations)."

We give brief definitions of each of the three designations below.

Charitable organizations

- mainly do their own activities; and
- more than 50% of their directors, trustees, or like officials deal with each other at arm's length.

Public foundations

- generally give more than 50% of their income annually to qualified donees, but may also do some of their own charitable activities; and
- more than 50% of their directors, trustees, or like officials deal with each other at arm's length.

Private foundations

- may do their own charitable activities or fund other qualified donees;
- 50% or more of their directors, trustees, or like officials are not at arm's length; and
- more than 50% of their funding comes from a person or group of persons that controls the charity in some way.

The questions in this section deal with the tax concept of at **arm's length**. This concept describes a relationship where two parties act independently of each other and are not related. The opposite, **not at arm's length**, refers to people who are related or who are acting jointly without separate interests.

- 10a) Tick **Yes** if the organization has been formed to give more than 50% of its income to qualified donees. Qualified donees include other registered charities. For the list of registered charities, go to www.cra.gc.ca/charitylists. For information about other qualified donees, including lists of qualified

donees, go to www.cra.gc.ca/charitiesandgiving, and select "Other qualified donees listings."

- 10b) If 50% or more of the organization's officials (listed at **Q18**) are not at arm's length (either by family or business connections), list the names of the officials and describe these relationships. If not, go to the next question.

Family connections

Related persons are individuals who are related to each other by blood, marriage, common-law partnership, or adoption. Examples of **blood relatives** include grandparents, parents, brothers, sisters, and children (including adopted children). Examples of persons **related by spousal relationship** include the grandparents of a spouse, the parents of a spouse, the brothers and sisters of a spouse, the spouse of a child, and the spouse of a grandchild. **Nieces, nephews, aunts, and uncles** are generally considered to be not related for purposes of the *Income Tax Act*.

Example

A board of directors/trustees has the following seven members:

Omar Khan, **Allan Lee**, Faye Cheng, Wayne Morris, **Sarah Smith**, Pierre Fournier, Rajinder Sidhu.

Two of the members of the board, **Allan Lee** and **Sarah Smith**, live in a common-law relationship. The other five members of the board have no links either to Allan or Sarah, or with each other.

Allan and Sarah are related, and do not deal at arm's length with each other. In this situation, **fewer than 50%** of the organization's officials are not at arm's length and the organization could be designated as a charitable organization or a public foundation, if it qualifies for registration.

However, if Pierre's wife, Anne, and adopted daughter, Nadia, become members of the board, the number of non-arm's-length directors/trustees rises to five out of nine, even though the three members of the Fournier family have no ties with Allan and Sarah, the common-law couple.

New board: Omar Khan, **Allan Lee**, Faye Cheng, **Sarah Smith**, Wayne Morris, **Pierre Fournier**, **Anne Fournier**, **Nadia Fournier**, Rajinder Sidhu.

This re-organization of board members has resulted in **50% or more** of the organization's officials being not at arm's length. If the organization qualifies for registration, it would now be designated as a private foundation.

Business connections

It is generally a question of fact whether unrelated parties deal at arm's length at any time. So it is possible that individuals not related by a family connection may still be considered not at arm's length.

Example

A board of directors has three members:

Abdul Khan, Mike Simmons, James Connelly.

Two of the members of the board, **Abdul Khan** and **Mike Simmons**, are also partners of the same law firm.

Although **Abdul Khan** and **Mike Simmons** are not related (since they are not related by blood, marriage, or common-law relationship), if factors establish that they do not deal at arm's length with each other, the organization would be designated as a private foundation because more than 50% of the directors are not at arm's length.

Note

Private foundations cannot carry on any business. However, charitable organizations and public foundations can carry on a related business. If the organization plans to carry on a related business, it should make sure that more than 50% of its board is at arm's length. See **Q13**.

For more information, go to www.cra.gc.ca/charities, select "Charities-related forms and publications," and see Interpretation Bulletin IT419R2, *Meaning of Arm's length*, and Interpretation Bulletin IT64R4, *Corporations: Association and Control*.

- 10c)** If the organization expects to receive more than 50% of its capital from one source or a group of persons that are not at arm's length with each other, tick **Yes** and complete section **10d)**. If not, go to **Q11**.
- 10d)** This question refers to a **major contributor**. A major contributor is a person (for example, an individual, corporation, trust, or unincorporated entity), or a group of persons who are not at arm's length, or any individual member thereof, from which the organization receives more than 50% of its capital (for example, funds or assets).

Example

An organization has received a \$500,000 donation from one donor, **Richard Rich**. The organization's total assets are \$800,000 and the organization is made up of a three-member board of directors/trustees:

Dave Rich, Emily Cook, Christine Petrovic.

Since **Richard Rich** has contributed more than 50% of the organization's capital, he is considered a **major contributor**. **Richard Rich** is related to both Dave Rich (brother) and Emily Cook (daughter-in-law). Although Dave Rich and Emily Cook are not related to each other, they are related to the major contributor, **Richard Rich**.

The organization would be designated as a private foundation because more than 50% of the directors (two of the three directors) are **not at arm's length** to the major contributor.

However, if two members are added to the board (**Melanie Smith** and **Ranu Dosanjh**) who are not related to each other nor are they related to Dave, Emily, Christine, or Richard, the organization could be designated as either a charitable organization or a public foundation because more than 50% of the directors are **at arm's length** with each other and to the major contributor.

- 10d) 1.** If the organization expects to receive more than 50% of its capital from a major contributor, give the name of the individual or entity that will provide the funding and any relationship of the contributor to the board members.
- 10d) 2.** If the major contributor or any board member related to the major contributor will be involved in the organization's operations, describe the nature of this involvement.
- 10d) 3.** If the organization's officials have any personal or business ties with the major contributor or any person related to the major contributor, describe these relationships.

Part 3 – Activities of the organization

Q11 Charitable purposes and activities

Note

The organization should give enough detail so that we can determine whether its activities are charitable. Most delays in processing applications are because the description of the organization's activities is incomplete. We need information that will give us a full and clear understanding of what the organization is doing now and what it plans to do in the future.

- Q11a)** An organization fulfills its charitable purposes through its activities in a community. When determining if an organization can be registered, we need to know what activities the organization will carry out to achieve **each** of the formal purposes listed in its governing documents. **It is not enough to restate the formal purposes.** In completing this section, you should describe in detail the charitable activities the organization will do and give details on the resources (financial or material) that it intends to make available to other organizations. For a summary of the type of information we are looking for, go to www.cra.gc.ca/charityapplication select "Charitable purposes and activities," and then "Describing your activities."

We do not need details of activities related only to fundraising or administration in response to this question. Details about fundraising activities should be reported under **Q12**.

The type of information that is relevant depends on the organization's purposes and what activities it plans to carry out.

The following examples show the degree of detail we need:

To gift funds to qualified donees as defined in subsection 149.1(1) of the *Income Tax Act*:

Rather than use its resources on its own activities, a registered charity can gift resources to qualified donees. Qualified donees include other registered charities. For the list of registered charities, go to www.cra.gc.ca/charitylists. For information about other qualified donees, including lists of qualified donees, go to www.cra.gc.ca/charitiesandgiving, and select “Other qualified donees listings.”

If the organization will be transferring gifts to other organizations, state:

- the name of the qualified donee the organization intends to give funds to; and
- the business number of the organization (if known).

To advance education by providing scholarships to students to attend university:

- Describe the nature of the scholarship (for example, to recognize academic excellence, to recognize community service, to increase opportunities for people from marginalized groups).
- List the eligibility requirements and the criteria for selection.
- Describe where and how the scholarship will be advertised.
- Describe the process used to select candidates (Will there be an application form? Who will be members of the selection committee, and why? Is your organization represented on the committee? How often will the selection committee meet? Where will decisions be recorded?).
- Tell us how much money will be distributed and how often.

To provide a public amenity by administering and maintaining a multi-use facility for the community of (specify community):

- Tell us where the facility will be established.
- Tell us who you think will use the facility (for example, seniors, new immigrants, children, young families, athletes, artists, or neighbourhood groups) and why.
- Describe the structure and/or services the facility will provide (for example, indoor/outdoor sports facilities, meeting rooms, catering services, daycare services).
- Submit a schedule of events (if available).
- Describe any activities that will be organized by the operators of the facility, as opposed to other groups.

- Describe the membership structure (Will the facility be open to the public? Will the users of the facility need to be members? What will be the cost of membership?).

To relieve poverty by providing residential accommodation and incidental facilities for the poor:

- Describe the location and number of units of the housing.
- Describe the type of services that will be provided.
- Describe the potential beneficiaries.
- Describe how rent will be determined.
- Include copies of any agreements or draft agreements that your organization may have with other entities to operate the housing facility.

Q11b) If the organization is doing activities described in **Q11a)**, tick **Yes**. If not, write the date when the organization plans to start its activities.

Q11c) Activities outside of Canada

If the organization is doing any activities listed in **Q11a)** outside of Canada, tick **Yes**, and give the following information requested on pages **7 and 8** of Form T2050.

- the countries, and the locations within the countries, where the activities will be carried out (include a photocopy of the area on a map, if necessary);
- whether the organization will carry out its activities outside Canada through its own volunteers or employees, through an agent, or through some other intermediary;
- if the organization is relying on another organization or individual to do its activities outside of Canada, describe the control measures that will be established to make sure that the organization’s charitable activities are properly carried out; if there is a written agreement, or some other arrangement, include a copy of the agreement or a complete description of the arrangement; and
- if applicable, the name, address and a description of any foreign individuals or organizations that will receive funds or goods from the Canadian organization and copies of any current or proposed written agreements.

For more information, go to www.cra.gc.ca/charityapplication, select “Policies and guidance,” and see Guidance CG-002, *Canadian Registered Charities Carrying Out Activities Outside Canada*.

Q11d) Attach any copies of other relevant information such as minutes of meetings, newspaper clippings, Web site addresses, videos, CDs, fundraising materials, pamphlets, brochures, or other items

that further describe the organization's work and its purposes. This information will give us a better understanding of what the organization is trying to do and help us to determine if it is eligible for registration as a charity. **It is important to make sure that any supplementary information supplied with the application is in English or French, or accompanied by an English or French translation.**

Q12 Fundraising activities

Describe the fundraising activities that the organization will do on a one-time, periodic, or ongoing basis.

Q12a) Describe the different types of fundraising activities the organization intends to do, how often, and approximately what proportion of the people involved will be the organization's volunteers. For more information, go to www.cra.gc.ca/charityapplication, select "Policies and guidance," and see Guidance CG-013, *Fundraising by Registered Charities*.

Q12b) If a professional fundraiser from outside the organization will be involved in any, or all, of the organization's fundraising activities, tick **Yes** and give complete details, including the name of the fundraiser and copies of any current or proposed contracts.

Q12c) If the organization intends to receive non-cash gifts on a regular basis, tick **Yes** and describe the nature of the non-cash gift (for example, equipment, shares, buildings, land, medical supplies, software, or art work).

Q12d) If the organization is involved with, plans to be involved with, or is in any way associated with, a **tax shelter arrangement**, tick **Yes**. A tax shelter arrangement includes:

- a gifting arrangement or the acquisition of property, where it is represented to the buyer or donor that the tax benefits and deductions arising from the arrangement or acquisition will equal or exceed the net costs of entering into the arrangement or the property; or
- a gifting arrangement where the donor incurs a limited recourse debt related to the gift. Generally a limited recourse debt is one where the borrower is not at risk for the repayment.

Q13 Revenue from sale of goods, services, or use of assets

This question refers to any fees or regular income received from the sale of goods or services. The term "regular" does not necessarily mean daily. It means on a repeated basis where there is a system in place and continuity to transactions being carried on, such as fees earned by a church that rents out its parking lot on weekdays.

This question includes revenue from goods or services provided as part of the organization's activities, such as admissions to a museum, the sale of goods produced by students in a trades training

program, monthly operation of a used clothing store, or an annual summer camp.

Charitable organizations and public foundations can lose their registration if they carry on an unrelated business. However, the law allows registered charitable organizations and public foundations to carry on a related business. A related business is a revenue-generating activity that is either related to a charity's purposes/objects, or is run mainly by volunteers. For more information, go to www.cra.gc.ca/charityapplication, select "Policies and guidance," and see Policy Statement CPS-019, *What is a Related Business?*

Note
Charities designated as private foundations are an exception—they can lose their registration if they carry on any kind of business, whether related or unrelated.

- a) If your organization is earning regular income, describe the activity in detail. For example, describe the type of goods the organization will sell, any service it will offer for a fee, and any resources or facilities from which it will generate revenues. Explain how these activities relate to the organization's purposes/objects.
- b) Give the percentage of the organization's total resources (human, financial, and physical) that will be devoted to doing these activities.

The term **human resources** refers to the number of volunteers and staff and the time they devote to the activity. In estimating the percentage of its human resources the organization expects to use in carrying out its revenue-generating activity, consider how many of the volunteers and staff will be involved, how much of their time will be devoted to these activities, and how much time will be spent organizing, monitoring, and making decisions about the activities. For example, if your charity has 10 employees and two are working half of their time on revenue-generating activities, then 10% of the charity's human resources is used for these activities.

The term **physical resources** refers to the physical assets of the organization, such as a car, building, or office equipment. As with human resources, consider how much of the organization's assets will be used for revenue-generating activities and for how long. For example, if the space in your charity's building is 800 square feet and an office of 200 square feet is used for its only revenue-generating activity, then 25% of the physical resources is used for revenue-generating activities.

- c) Give the percentage of volunteers who carry out these activities. For example, if there are five people who run a shop, four are

volunteers, and one is a paid manager, then 80% of the human resources involved are volunteers.

Q14 Political activities

A registered charity may pursue political activities if they are:

- a) non-partisan in nature. A charity must not directly or indirectly support or oppose a political party or candidate for public office. For example, a registered charity cannot purchase tickets (or reimburse its employees for the expense of purchasing tickets) to a fundraising event held by a political party;
- b) connected directly to the charity's purposes. A charity is only permitted to devote its resources to political activities about an issue, policy, or law that is connected to its charitable purposes. For example, a registered charity established for the purpose of wildlife conservation could not engage in political activities related to prison reform;
- c) subordinate to the charity's purposes. A charity can only engage in political activities provided it has satisfied the requirement that it devote substantially all its resources to charitable activities. Generally a registered charity may devote no more than 10% of its resources to political activities.

We consider an activity to be political if a charity:

- a) explicitly makes a call for political action (for example, encourages the public to contact an elected representative or public official and urge them to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country);
- b) explicitly communicates to the public that the law, policy, or decision of any level of government in Canada or a foreign country should be retained (if the retention of the law, policy, or decision is being reconsidered by a government), opposed, or changed; or
- c) explicitly indicates in its materials (whether internal or external) that the intention of the activity is to incite, or organize to put pressure on, an elected representative or public official to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country.

Note

A political activity also now includes the making of gifts to qualified donees intended for political activities. Under the new rules, when a registered charity makes a gift to a qualified donee and a purpose of the gift was to support the political activities of the recipient, the gift is considered an expenditure on political activities. This means that a registered charity must now declare an amount that it gave to another qualified donee to conduct political activities as part of its own political

activities and count this amount against the allowable limit.

A charity is not necessarily engaging in a political activity when it addresses a government body on legislative and policy matters. When a charity makes a representation (oral or written presentation or brief), whether by invitation or not, to an elected representative or public official, the activity is considered to be charitable provided that it:

- relates to an issue that is connected to the charity's purposes;
- is well-reasoned; and
- does not contain information that the charity knows or ought to know is false, inaccurate or misleading.

However, making representations to elected or public officials cannot be all the charity does and should be subordinate to its charitable purposes; otherwise it may indicate that the charity has an unstated political purpose. For more information on political activities, go to www.cra.gc.ca/charities, select "Operating a registered charity," then "Policies and guidance," and see "Political Activities, CPS-022."

Q15 Financial transactions with the organization's officials

If the organization plans or has entered into a transaction (for example, financial or real estate) with its officials, founders, members, employees, or any person or organization related to these people, tick **Yes** and describe the transaction.

The information supplied will establish whether the transaction would be consistent with the common law definition of charity and whether it would also comply with the provisions of the *Income Tax Act*. For example, if the organization intends to lend funds to one of its directors, or has done so, we would want to know the amount involved, the terms of the loan (for example, interest payable, the loan repayment schedule, and the guarantee taken), and the position of the individual within the organization.

Similarly, if an individual who serves on the organization's board of directors also serves on the board of a company that will rent space from the organization, state the terms of the lease, including the number of square feet of the space to be rented, the fair market value of the rent for that space, and the monthly rent the company will pay.

Q16 Ownership

- a) If the organization owns or expects to own more than 2% of the outstanding shares of any class of shares of a corporation, tick **Yes**. A share represents ownership in a corporation. Some corporations issue more than one class of share, where the holders of different classes of shares are entitled to different treatment, and all holders of the same class of shares are

treated the same. For example, holders of Class A shares have voting rights, but holders of Class B shares do not.

For more information about charities and corporate holdings, go to www.cra.gc.ca/charities, select “Charities-related forms and publications” and see Guide T2082, *Excess Corporate Holdings Regime for Private Foundations*.

- b) If the organization owns or has plans to own, any real property (land or buildings), tick **Yes**.

If an organization owns (or intends to own) land or buildings, it may choose to become incorporated for the purpose of holding title to the real property. Incorporation can ensure that a charity is better able to control its assets.

Note

An unincorporated charity can have the use of real property where it is held in trust by trustees acting for the organization. Unincorporated organizations should get legal advice before acquiring real property.

Part 4 – Financial information of the organization

This section must be completed even if the organization is not operating. If the organization has been operating for more than one year, this section must be completed and the organization has to submit a separate copy of its most recent financial statements.

The financial statements submitted with the application are considered separate from the application and will stay confidential.

At a minimum, financial statements should include a statement of revenue and expenditures, as well as a statement of assets and liabilities for a complete fiscal period. The statements should show the different sources of an organization’s income and how the organization spent its money during that period.

Q17 Proposed budget

If the organization has been operating for more than one year, tick **Attached**.

Enter the organization’s fiscal period end (month and day).

A **fiscal period** is the 12 months (or, for incorporated charities, a period of up to 53 weeks) covered by an organization’s financial statements.

Many organizations select a fiscal period that matches the calendar year (January 1 to December 31). Others select a different fiscal period (for example, April 1 to March 31).

If the organization’s fiscal period end is identified in its governing document, this fiscal period should be the same as what is recorded on the form. If it is different, give an explanation.

Any change in a charity’s fiscal period end affects its obligations under the Act, in particular the

requirement to file information returns. **If we register the organization as a charity, it cannot change its fiscal period without first obtaining our approval.**

Proposed operating budget for the next fiscal period (covering a 12-month period)

We require a projection of what the organization expects to spend and receive in the next fiscal period to gain a better understanding of how the organization intends to operate. For example, the next complete fiscal period for an organization applying for registration in November 2011, with a fiscal period from July 1 to June 30, is July 1, 2012, to June 30, 2013.

Complete only the categories that relate to your organization’s activities and provide approximate amounts. The amounts may be rounded off to the nearest \$100 or \$1,000, where reasonable.

a) Revenue

Gifts

A **gift** is a voluntary transfer of property. For more information on gifts, gifting arrangements, and determining the fair market value of transferred property, go to www.cra.gc.ca/charities, select “Charities-related forms and publications,” and see “P113, *Gifts and Income Tax*,” and “*Income Tax Technical News, Issue 26*.”

Line 001 – Gifts from individuals – Enter the total value of cash and other gifts the organization expects to receive from individual donors.

Line 002 – Gifts from corporations and businesses – Enter the total amount the organization expects to receive as gifts from organizations **that are not charities**, such as non-profit organizations or businesses. Enter the name of the donor organization (if known) and the approximate amount to be received.

Line 003 – Gifts from other registered charities – Enter the total amount the organization expects to receive as gifts from registered charities. Give the names of the charities donating the gifts, as well as the business numbers (if known) and the approximate amounts you expect to receive. To determine if an organization is a registered charity, you can go to the charities listings at www.cra.gc.ca/charitylists.

Every gift that a registered charity receives from a qualified donee for political activities counts towards the recipient charity’s limits for political activities.

Line 004 – Government grants, contributions, or contracts – Enter the total amount the organization expects to receive from government grants, contributions, and contracts.

Line 005 – Fundraising activities carried on by the organization itself – Enter the total income the organization expects to receive from the fundraising activities described in Q12. Do not

include amounts received from professional fundraisers or other organizations contracted to raise funds for the organization.

Line 006 – Fundraising carried on by fundraisers outside of the organization – Enter the total amount the organization expects to raise from fundraising events or campaigns using a third-party organization, such as a professional telemarketer or fundraising company. You should include the **gross** amount the third-party organization will raise before deductions, such as remuneration and expenses. Attach a copy of any proposed or existing contracts.

Line 007 – Revenue from the sale of goods, services, or the use of assets – Enter the total amount the organization expects to generate through regular activities as described in **Q13**. You should enter **gross** amounts before deductions for expenditures such as operating costs. For example, include income from selling goods or services such as operating a catering service, church bookstore, or hospital gift shop; and fees from sources such as subscriptions for magazines, operating a daycare, registrations for seminars and courses, and from students for tuition. Include income earned from the rental of property or buildings owned by the organization.

Line 008 – Other – Enter any other income not already reported on **lines 001 to 007**, such as membership dues, interest, and dividends. In the space provided, briefly explain the source of the income and the approximate amount of revenue expected.

Line 009 – Total estimated revenue from all sources – Add **lines 001 to 008** inclusive, and enter the total on **line 009**.

b) Expenditures

Charitable activities

List each of the organization's charitable activities and the corresponding amount the organization expects to spend for each activity in the lines below. If you need more space, attach more pages and refer to those pages on these lines.

Line 010 – Enter the total amount the organization expects to spend **directly** on each activity. **Enter the total amount the organization intends to spend on its charitable activities only.** Do not include any expenses for activities that are not charitable, such as management, administration, fundraising, or political activities. These expenses should be recorded in the appropriate line numbers below.

In the space provided, briefly describe each charitable activity and the **approximate** amount to be spent on it.

For example, a hospital would include the salaries of the medical and nursing staff that are treating the patients, and those carrying out support services that allow the patient to stay in the

hospital, such as kitchen and housekeeping staff. Include costs for supplies, such as medications and beds. A religious organization would include not only the salary of the person who holds the religious ceremonies, but also the cost of maintaining and heating the building, printing religious materials, and other expenditures required to carry out the charitable activities.

Line 011 – Gifts to qualified donees – A registered charity can give property (for example, money, equipment, educational materials, or land) to other organizations, if the other organizations are **qualified donees**. Qualified donees include other registered charities. For the list of registered charities, go to www.cra.gc.ca/charitylists. For information about other qualified donees, including lists of qualified donees, go to www.cra.gc.ca/charitiesandgiving, and select “Other qualified donees listings.”

If a registered charity makes a gift to a qualified donee to carry out political activities, the gift itself is considered the donor's political activity and counts towards its allowable limit.

Enter the total value of all gifts the organization plans to make to qualified donees. If you know the names of the qualified donees your organization plans to make gifts to, list the name of each of the qualified donees, and enter the value of each gift that will be made.

Line 012 – Expenditures incurred for fundraising carried on by the organization itself – Enter the total amount the organization expects to spend to raise funds **itself** (not through any outside organization). Examples of such disbursements are:

- expenses for fundraising activities, including salaries and overhead costs, promotional materials such as posters and newspaper ads, campaign supplies, electronic data processing, and year-round office expenses directly related to fundraising;
- expenses for the production and distribution of materials promoting the charity and its activities with the main goal of attracting donors and their gifts; and
- costs for direct mail canvassing, including printing, paper, envelopes, and postage.

Line 013 – Expenditures incurred for paying fundraisers outside of the organization – Enter the total amount the organization expects to spend on raising funds by using the services of another entity or individual. Examples of such disbursements are:

- fees the charity paid to outside fundraising consultants or agencies (or amounts retained by them); and

- all expenses incurred for fundraising activities, including overhead costs, promotional materials, campaign supplies, electronic data processing, and year-round office expenses directly related to fundraising.

Line 014 – Expenditures for the sale of goods, services, or use of assets (described in Q13) –

Enter the total costs associated with the sale of the organization’s goods or services, or the use of the charity’s assets. For example, a hospital could be operating a coffee shop in the facility, and be using the proceeds from the sales to run its charitable activities. In this case, you would enter the costs associated with operating the coffee shop such as employee salaries, maintenance costs, and the cost of goods including coffee and food.

Line 015 – Expenditures incurred for political activities – Enter the total amount the organization expects to spend on political activities as described in Q14, such as letter-writing campaigns, public rallies, and lobbying. If a registered charity makes a gift to a qualified donee to carry out political activities, the gift is considered the donor’s political activity.

Management and Administration

Enter the total amount your organization intends to spend on management and administration in the lines below.

Line 016 – Remuneration – Enter the total amount the organization will pay persons with management or administrative roles (for example, salaries, wages, commissions, bonuses, fees, and honoraria), plus the fair market value of any benefits (for example, the private use of a car or office space).

Note

Some expenses may be prorated between charitable expenses and management and administrative expenses. For example, if an employee is hired to manage the charitable activities of the organization, but is also responsible for the organization’s bookkeeping, this employee’s salary should be prorated between time spent on managing the organization’s charitable activities, and time spent maintaining the organization’s books and records. The part of the salary for managing the organization’s charitable activities should be reported on **line 010**, and the part for managing the books and records should be reported on **line 016**.

Do not include reimbursements to directors or trustees for expenditures related to carrying out the duties of these positions (for example, a director’s travel expenses and out-of-town accommodation to attend a board meeting). These expenses are considered to be associated with occupying the position of director/trustee, and are not considered to be charitable, management, or administrative expenses. These expenses should be recorded on **line 021 or 022**, as appropriate.

Provincial/territorial law determines the circumstances under which a charity’s directors or trustees can be compensated. Some provinces permit a charity to pay its directors or trustees for any services they provide to the charity. However, in general, a charity cannot compensate its directors or trustees simply for occupying the position of director or trustee. If an organization is not certain about what compensation it can provide to its directors or trustees, it should get legal advice.

Line 017 – Accounting and legal services – Enter the total amount to be spent on accounting and legal fees not directly related to the charitable activities. For example, a charity with an object to relieve poverty by offering legal advice to the poor, would not include the salary of the lawyer providing the advice.

Line 018 – Occupancy costs – Enter the total amount to be spent on occupancy costs (such as rent, mortgage payments, building maintenance, insurance, heat, and electricity) **not** related to the organization’s charitable activities. Do not include amounts already reported on **line 010**.

Note

Occupancy expenses may need to be prorated between charitable expenses and management and administrative expenses. For example, a building may be used mainly for a drop-in program for people with disabilities and include offices for the bookkeeper, director of corporate fundraising, and administrative director. All expenses associated with maintaining the building (such as, rent, insurance, heat, and electricity) would need to be prorated between the amount of space used on the charitable activities (**line 010**) and the administrative activities (**line 018**).

Line 019 – Supplies and equipment – Enter the total amount to be spent for items such as office supplies, telephone and fax costs, as well as other items the organization uses (for example, postage stamps, fax machines, envelopes, photocopiers), not related to the organization’s charitable activities.

Line 020 – Printing, publications, and advertising – Enter the total amount to be spent on the production and distribution of promotional materials not directly related to the organization’s charitable activities. For example, if a hospital that operates a coffee shop also issues flyers promoting its menu, this promotional cost is not directly related to the charitable activities, and should be entered on this line. Also, an organization that maintains a Web page, which is not being used to promote its charitable activities, should enter any costs associated with the maintenance of the Web page on this line.

Line 021 – Travel – Enter the total amount spent on travel costs which are not related to operating your charitable activities, or costs that are considered management and administrative

expenses (amounts already included on **line 010 or 016**). For example, travel expenses and out-of-town accommodation for a director/trustee to attend a board meeting. **See the note under line 016.**

Line 022 – Other – Enter the total amount for any other expenditures and give a brief description of the expense. For example, the amount could include bank charges and the cost of maintaining life-insurance policies that donors have given to the organization.

Line 023 – Total estimated expenditures – Add **lines 010 to 022** inclusive, and enter the total on **line 023**.

c) Revenue and expenditures outside of Canada

If any of the amounts reported in section **a)**, **Revenue**, are from outside of Canada, name the source of the revenue and the corresponding amount. If any of the expenditures in section **b)**, **Expenditures**, are incurred for activities outside of Canada (activities described in **Q11c**), give the location (country, including region) where the expenditures will be made, the intended activity and/or recipient, and the amount of money and/or value of the property involved.

d) Assets and Liabilities

Assets

Line 030 – Cash, bank accounts, and short-term investments – Enter the amount or approximate amount, if the actual amount is unknown, of cash, bank accounts, and readily available investments that the organization expects to have by the end of its next fiscal period.

Line 031 – Long-term investments – Enter the amount or approximate amount, if the actual amount is unknown, of any long-term investments that the organization expects to have by the end of its next fiscal period.

Line 032 – Capital assets – On the lines of the form, list each of the capital assets (for example, community hall, playing fields, and vehicles) that the organization expects to have by the end of its next fiscal period and the cost or fair market value. Give the total value of these capital assets on **line 032**.

Line 033 – Total assets – Add **lines 030 to 032** inclusive, and enter the total on **line 033**.

Liabilities

Line 034 – Total Liabilities – On the lines of the form, specify the nature of the liability (for example, mortgage, amounts owed for services received, amounts owed to retired employees) and the approximate dollar amount the organization expects to owe by the end of the next fiscal year. Give the total value on **line 034**.

Part 5 – Information about the organization's officials

Q18 Public information

Note

If the organization is registered as a charity, the full names and positions of the officials will be available to the public.

Directors, trustees, officers, and like officials are individuals who make up the organization's elected or appointed governing board. These people hold positions such as chair, president, treasurer, and secretary, positions that are usually identified in the organization's governing document.

Give us the full names of all the organization's directors, trustees, officers, or like officials, and their position within the organization (for example, treasurer, board member, trustee, or religious leader). If there is not enough space on the application, attach a separate sheet.

Full name includes at least the first name and last name (surname). Where a particular name is shared by two or more members of the governing body, include additional given names or initials to clearly identify each individual. For a congregation, include the name of the religious leader in charge, even if this person is not a director or trustee.

Confidential information

Note

The address, telephone number, occupation, and dates of birth of officials will not be made public. This information will remain confidential, even if the organization is registered as a charity.

Information from this column will stay confidential and will not be made publicly available except in circumstances where the release of any or all of the information is required by law or, in certain exceptional circumstances, where it is permitted by law.

According to the *Income Tax Act*, circumstances where the law would require or permit the disclosure of such information includes a court order, warrant, or subpoena issued for criminal proceedings initiated under any act of Parliament, or any legal proceedings relating to the administration or enforcement of the *Income Tax Act*, the *Canada Pension Plan*, the *Unemployment Insurance Act*, or the *Employment Insurance Act*, or any other act of Parliament or law of a province that provides for the imposition or collection of a tax or duty.

Other circumstances where we are required or permitted by law to disclose certain records would include requests made under the authority of the *Auditor General Act*, warrants issued by the *Canadian Security Intelligence Service Act*, and enquiries from the Department of Finance Canada for information to form or evaluate fiscal policy.

Under “Confidential information,” we need the home address (including postal code), telephone number, occupation, and date of birth for each director, trustee, or like official of the organization.

If any of the directors or like officials live outside Canada, include the name of the country, as well as the postal code or its equivalent, as part of their home address.

Each director and like official must give their date of birth and home address to help with the administering and enforcing of the *Income Tax Act*. The date-of-birth information provides further means of identification of these individuals who are fiscally accountable for the management of the charity.

Part 6 – Confidential Information

Note

All the information given in this part is confidential, subject to the limits identified above.

Q19 Physical location of the organization

Some organizations are physically located at an address other than their mailing address or the address where they keep their books and records. Give either a complete street address or a legal description of the physical location (for example, a lot or concession number) that clearly shows where the organization carries out its activities. If the organization uses more than one location, give us the location where most of the organization’s activities take place. A post office box number or rural route number alone is not sufficient.

Q20 Physical location of books and records

Give either a complete street address or a legal description of the physical location (for example, a lot or concession number) that clearly shows where the organization will keep its books and records. A post office box number or rural route number is not sufficient.

Q21 Authorized representative/contact person

If one of the directors or trustees listed in Q18 is the authorized representative of the organization, give that person’s name. However, if the authorized representative is not a director or trustee of the organization, give the person’s name, full mailing address, telephone number, and fax number. **Correspondence will be addressed to the person identified in this section as the organization’s authorized representative.** If the authorized representative changes, notify us in writing.

Part 7 – Final steps and certification

Make sure that the application is dated and signed by **two** individuals authorized to sign for the organization, and give their position within the organization. The application will not be processed if this part is not completed properly. Directors, trustees, treasurers, or any officer holding a position of responsibility within the organization can sign the application.

We will accept a completed original or faxed application that includes all of the necessary supporting materials.

The organization’s treasurer should sign any financial statements that have not been professionally audited.

Electronic mailing list

Anyone can subscribe, free of charge, to our electronic mailing list, and we will send an email whenever we post new information of interest to charities. Subscribe by going to www.cra.gc.ca/charitiesandgiving and, under “Stay connected,” see “electronic mailing list.” Anyone interested in the charitable sector should sign up for this service.

Need more information?

Web site

Charities newsletters, policies, and other important information about charities can be found at www.cra.gc.ca/charities. We regularly post policy and legislative amendments on our Web site.

Telephone numbers

If you need more information on a topic, you can reach the Charities Directorate by calling:

- 1-800-267-2384
- 1-800-665-0354 (TTY service for persons with a hearing or speech impairment)

Fax numbers

The Directorate's fax numbers are:

- 613-952-6020 (Determinations)
- 613-954-8037 (Client Service)
- 613-957-8925 (Monitoring)

Your opinion counts!

We review our publications every year. If you have any comments or suggestions that would help us improve this guide, we would like to hear from you. You can email your comments or suggestions to charities-bienfaisance@cra.gc.ca.

You can also send your comments to:

**Charities Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5**