



# **To Tax or Not to Tax**

**An Overview of GST and PST**



# Charities and the GST

## ▶ **Do Charities have special rules?**

- ▶ Most supplies made by charities are exempt
- ▶ Many charities are not required to register
- ▶ If registered it must use the net calculation for charities
- ▶ Some may be able to claim ITC,s




# Charities and the GST

- ▶ **A charity must register when it:**
  - ▶ Makes taxable supplies in Canada: and
  - ▶ Is not a small supplier
- ▶ A charity cannot register for GST purposes if it only makes exempt supplies.




# Charities and the GST

- ▶ **Exempt Supplies:**
    - ▶ most services;
    - ▶ supplies of used or donated goods;
    - ▶ short-term rentals of residential accommodation (less than one month of occupancy);
    - ▶ meals-on-wheels programs (some conditions apply)
    - ▶ catering services for private functions (for example, wedding receptions).
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# When is a Charity a small supplier?

- ▶ **A charity qualifies as a small supplier under either of these two tests:**
    - ▶ the \$250,000 gross revenue test; or
    - ▶ the \$50,000 taxable supplies test
  - ▶ To decide if you qualify under these tests:
  - ▶ A charity must consider its activities as a whole.
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# The \$250,000 gross revenue test

- **Gross revenue is generally the total of:**
    - Business Income, Donations, Grants, Gifts,
    - Property and/or Investment Income
  - It does not have to register for GST in its first fiscal year.
  - In its second fiscal year, it must calculate gross revenue from its first year. If it is less than 250,000 it does not have to register.
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# The \$50,000 taxable supplies test

- ▶ **Total revenues from taxable supplies include a charity's worldwide revenues.**
  - ▶ To determine if it meets this test it calculates:
    - ▶ its total revenue from taxable supplies in the current calendar quarter; and
    - ▶ its total revenue from taxable supplies in the last four calendar quarters.
  - ▶ If both of these amounts are \$50,000 or less, the charity is a small supplier and does not have to register for GST purposes.
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# When a Charity is not a small supplier

- If a charity is **not** a small supplier under either:
    - The \$250,000 Gross Revenue test: or
    - The \$50,000 Taxable Supplies test: then
  - **It must register for GST**
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# PSB Rebates for Non-Registrants

- ▶ **How to recover GST/HST paid on purchases.**
  - ▶ Not all purchases & expenses are eligible
  - ▶ To establish eligibility: **Guide RC 4034** or call the
  - ▶ GST/HST rulings centre at 1-800-959-8287
  - ▶ Charities have up to 4 years after their claim period.



# PSB Rebates for Non-Registrants

## ➤ The Details

- Charities can claim 50% of GST on eligible expenses.
- BC Charities can claim 57% of the provincial part of the HST.....**However**
- BC claims are only for claim periods from July 1, 2010 to April 1, 2013



# Filing a GST Return

## ➤ Net Calculation for Charities

- It simplifies the way charities calculate their taxes
- It must use this method unless it meets one of the following exceptions;
  - The main purpose is to provide employment for disabled persons
  - It must regularly supply services provided by disabled persons.

# The Net Tax Calculation

REVENUE		GST COLLECTED	GST PAID
Gift Shop Sales	75,000	3,750	
Donations	10,000	0	
Total	<b>85,000</b>	<b>3,750</b>	
EXPENSES			
Gift Shop Inventory	25,000		1,250
Supplies	1,200		60
Shop Renovations	1,000		50
Total	<b>27,200</b>		<b>1,360</b>



# The Net Tax Calculation

- **Step 1**

- \$2,250 (60% of 3,750) is entered on line 105

- **Step 2**

- \$1,000 (renovation costs) is entered on line 108

- **Step 3**

- \$1,250 is entered on line 109

- This is the net tax calculation before rebates.



# Filing a GST Return

- **Election not to use the net tax calculation**
- If you meet any one of the following conditions in the ordinary course of business.
  - You make supplies outside of Canada
  - You make zero-rated supplies
  - 90% or more of your supplies are taxable supplies.
- You must submit form **GST488** to make the election.



# Tax Calculation – ITC's

- **Step 1**

- \$3,750 ( all the tax collected) is entered on line 105

- **Step 2**

- \$1,360 (all the tax paid – ITC's) is entered on line 108

- **Step 3**

- \$2,390 (the difference) is entered on line 109

- This is the tax calculation before any rebates.



# Additional Information

- ▶ The full document from CRA on Charities can be found at: <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4082-gst-hst-information-charities.html>
- ▶ This publication has everything you need to know
- ▶ The link for a document on how to file a GST return is: <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/gi-066.html>





# Charities and PST

- **PST is a retail sales tax that applies when:**
  - a taxable good or service is purchased,
  - acquired or brought into B.C.,
  - unless a specific exemption applies



# Charities and PST

## ➤ **PST generally applies to:**

- the purchase or lease of new and used goods in B.C.
- goods brought, sent or delivered into B.C. for use in B.C.



# Charities and PST

## ► Sales

- You must charge PST when you sell new, used or donated taxable goods, ***even if the funds are used for charitable purposes.***
- However, there are some exemptions:
- PST Bulletin # **304** provides specific information for Thrift Stores, Charitable organizations and Societies



# Charities and PST

## ➤ Exemptions:

- Used clothing and footwear sold for under \$100 per item:
- Children size clothing and footwear
- Adult size purchased for children under 15
- Books, newspapers and periodicals (Bulletin #205)
- Remembrance Day poppies and wreaths
- Non-motorized bicycles (Bulletin # 204)



# Charities and PST

- ▶ **PST Exemptions not requiring documentation**
  - ▶ food for human consumption
  - ▶ books, newspapers and magazines
  - ▶ children-sized clothing
  - ▶ bicycles
  - ▶ prescription medications and household medical aids such as cough syrup and pain medications



# Charities and PST

- ▶ **If your business is required to register then:**
  - ▶ You must charge and collect when PST is payable
    - ▶ Unless a specific exemption applies
  - ▶ You report and pay the PST you collect, less any allowable commission.
  - ▶ You may opt to report on a monthly, quarterly, or annual basis.



# Charities and PST

## ► Commission:

- To deduct your commission you must submit your return and pay in full by due date.
  - If the total collected is \$22 or less, then that is your commission.
  - If it is \$22.01 - \$333.33 then the commission is \$22.00
  - More than \$333.33, then 6.6% of the total collected to a max of \$198 will be the commission.



# Charities and PST

## ➤ PST Refunds:

- If you are an eligible charity and you contribute eligible funds for the purchase of medical equipment.
- PST Bulletin #**402** provides the details on:
  - What equipment is eligible
  - How to calculate the refund, and
  - How to apply for the refund.





# Charities and PST

## ▶ PST Contacts:

- ▶ Online: [gov.bc.ca/pst](http://gov.bc.ca/pst)
- ▶ Toll free in Canada: 1 877 388-4440
- ▶ Email: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)
- ▶ Subscribe to the What's New page to receive email updates when information changes.



# To Tax or Not to Tax

➤ *Thank you for your participation,*

