Nonprofit Financial Series

Navigating GST for Nonprofits and Charities

March 7, 2024
1:00 – 2:45pm

IntegralOrg

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Mohkinsstis
Land Acknowledgement

Bearspaw First Nation

Siksika First Nation

Piikani First Nation

Goodstoney First Nation

Chiniki First Nation

Kainai First Nation

Tsuut'ina First Nation

Métis Nation of Alberta, District 5 and 6

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Your Facilitator *for*

Navigating GST for Nonprofits and Charities

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Consultant, Stella, M. Penner Professional Corporation
Financial Education *for* IntegralOrg

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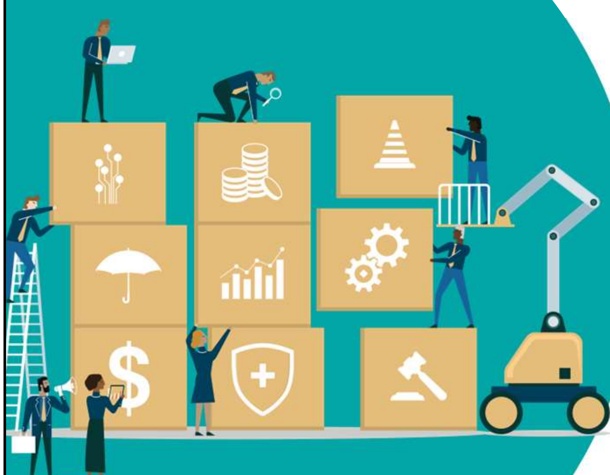

Overview

- Definitions
- Revenue: collecting GST
- Expenses: paying out GST
- Calculations and remittance method(s)
- Special situations
    - Real estate transactions
    - Interagency transactions

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Definitions and Acronyms

Charity – a registered charity under the Income Tax Act (ITA) whether incorporated or not

Non-profit organization (NPO) – a non-profit entity that is not a registered charity

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Poll:

My organization is a…

a) registered charity
b) nonprofit that is not a registered charity

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Definitions and Acronyms

Public institution (PI) – a registered charity that is:

- school authority, public college or university;
- a hospital authority; or
- a local authority determined to be a municipality
- "MUSH"
- NPOs in some sectors may apply for PI status

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Definitions and Acronyms

PSB Rebate – Public service bodies rebate of a portion of GST paid in year (normally 50%)

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Definitions and Acronyms

Taxable supply – sales of property or services that are taxable

Registrant – an entity that registers with CRA for the purpose of collecting and remitting GST

Input Tax Credits (ITC): GST paid out that may be deducted from GST collected when reporting

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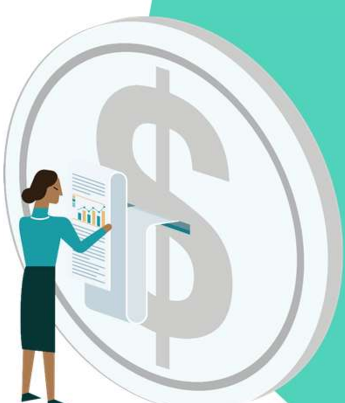
GST on Revenue

When and how to register
Which revenue counts?
Exempt Supplies



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GST on Revenue

The Basics

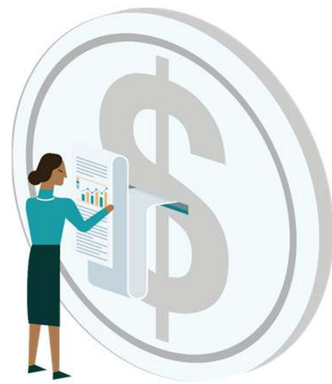
When do you have to register with CRA and collect GST on revenue?

Guidance from CRA

- **RC-4081**: GST and non-profits
- **RC-4082**: GST and charities

Which revenue "counts"?

- **Non-profits:** revenue is probably taxable
- **Charities:** revenue is probably exempt



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GST on Revenue

Registering to Collect GST

Charities and **NPOs**: register when annual taxable revenue > $50,000

- Calculated on last 4 fiscal quarters
- **Charities** need *not* register if their **total** revenue <$250,000
(for 3 consecutive years)

Organizations may voluntarily register earlier.

If level drops, may deregister after one full year of lower taxable revenue.

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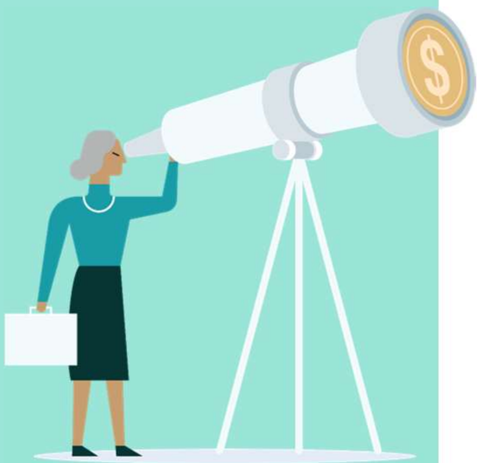
GST on Revenue

Exempt Supplies



The following are always exempt, no matter who supplies:

- Long term residential rent
- Child-care services (under 14...and special needs)
- Personal care services for children, underprivileged persons, disabled persons when provided an establishment operated for that purpose

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Exempt Supplies - Charities

Most supplies provided by charities *are exempt*, such as:

- Most services (e.g., counselling)
- Sales of goods at below cost;
- Facility rentals (e.g., wedding hall rental)

Generally not a taxable supply:

- Donations
- Government grants
  - If linked to service level, it may be a supply, but exempt

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Exempt Supplies - Charities

Memberships generally *exempt*

***Other exempt supplies*:**

- Sale of raffle tickets and other lottery proceeds
- Spectator events where performers or athletes are unpaid
- Admissions to entertainment or recreational facility if less than $1
- Admission to fundraising events, items sold as a fundraiser

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Exempt Supplies - Charities

Combination Revenue

In some cases where a payment is a combination of **donation** and a **taxable supply**, there may be deemed GST included in the non-donation portion

Sponsorships

Generally **not** taxable unless purpose is for sponsor to obtain TV, radio, or print advertising

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Revenue Status - NPO

Most supplies provided by NPO *are taxable*, such as:

- Registration fees for a conference
- Subscriptions to magazines, newsletters, theatres
- Advertising services
- Banquet facilities

Generally not a taxable supply:

- Donations
- Government grants
  - If linked to service level, it may be a supply, but exempt

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Revenue Status - NPO

Sales for fundraising are exempt if *minor*

- Less than $5/item
- Sold by volunteers

Memberships generally exempt

- If benefits are limited and equally available to all
- Certain NPOs may elect for memberships to be deemed taxable
- Dining, sporting, recreational clubs are taxable

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GST on Revenue

GST Registrant

Do you exceed the small supplier threshold?

- Must register with CRA, get a GST account
- GST number must be provided to customers to authorize collection of GST

Claiming the **PSB rebate** will result in being assigned an RT0001 extension on your BN or CN. This does not create registrant status.

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GST on Expenses

Input Tax Credits
PSB Rebate
Reporting Frequency

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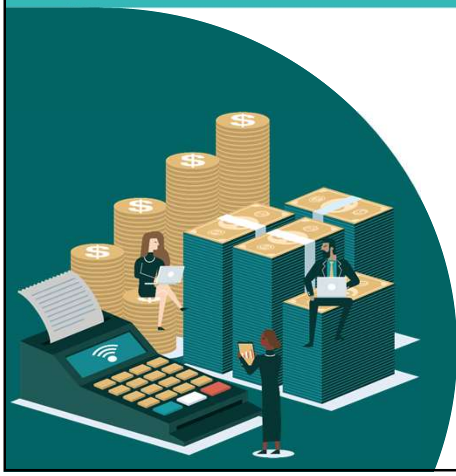
GST on Expenses
The Basics



General rule for (business) registrants:

- Collect on all taxable supplies
- Claim offsetting ITCs for GST paid on expenses that are related to those taxable activities

For charities and NPOs – it's not that simple!!

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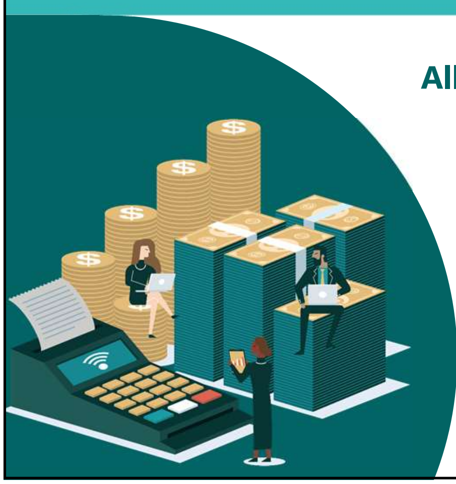
GST on Expenses
The Basics



All charities and NPOs pay out GST on their expenses.

Part or all of the GST may be recoverable in the form of:

- PSB (Public Service Body) rebates, or
- Input tax credits (ITCs) – specific amounts or estimates

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GST on Expenses

Public Service Bodies (PSB) Rebate

PSB rebate available to:

- **Registered charities**
- Public Institutions
- Qualifying NPOS

Registered charities – may claim a refund of 50% of GST/HST paid in the year

- Form GST66 (or GST 284)
- Twice a year

Public institution rates vary among sectors

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GST on Expenses

Public Service Bodies (PSB) Rebate

PSB rebate available to:

- Registered charities
- Public Institutions
- **Qualifying NPOS**

NPOs are *qualified* when:

40% more of revenue is government grants

or

deemed to be **public institutions**

(e.g., low income seniors housing; providing services to a MUSH sector entity)

or

have applied for and been granted **public institution designation** (e.g., low income housing)

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GST on Expenses

Input Tax Credit Eligibility

NPOs that are GST registrants

- Default is some ITCs can be claimed
- But may use a "simplified" reporting that estimates ITCs (if taxable income is <$1,000,000)

Charities that are GST registrants

- Default is that ITCs cannot be claimed
- But may claim ITCs in lieu of PSBs (but must file election)

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Charities

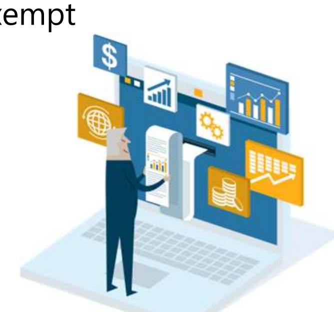
GST Accounting

Rules for charities that are registrants - **Net Method:**

- Collect on all taxable supplies
- Remit 60% of GST collected
- Claim PSB rebate on all GST paid, whether for taxable or exempt activities

Charity may **elect** to remit actual GST collected minus ITCs (requires CRA approval)

- In that case, PSB claim only on the GST related to exempt activities



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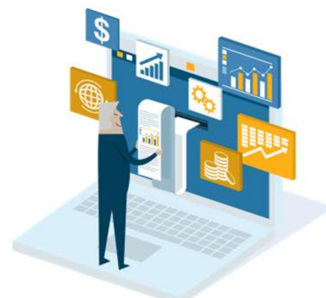
Charities
GST Reporting

Frequency of reporting periods depends on level of taxable revenue - may be annual, quarterly, or monthly

Steps to reporting:
- Complete regular GST reporting
- Complete separate GST66 (PSB rebate)
- Include PSB rebate as an adjustment on the reporting form, deduct from GST collected



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Charities
GST Reporting Frequency

Non-registrant charities claiming only the PSB rebate:
- Must claim twice a year
- Deadline – three years post-year end

Registrant charities
- PSB rebate frequency same as GST reporting frequency
- For charities, default GST reporting period is annual
- May choose monthly, quarterly – must elect

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Non-Profit Organizations

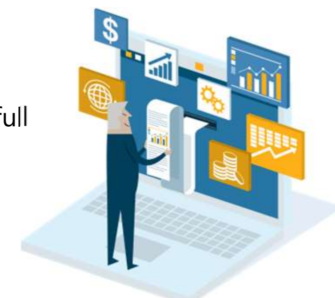
GST Accounting

General rules apply

1. Collect and remit actual collected
2. Deduct ITCs on GST directly related to taxable activities
3. Claim PSB rebate (if a qualified NPO) on GST paid on non-taxable activities

NPO may elect simplified method

- Combine steps 1 & 2 above into a single step and remit less than full GST (specified rates by province)
- Complete step 3 if qualified



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Special Situations

Zero-rated supplies
Interagency transactions
Real estate: purchase and sales, change in use

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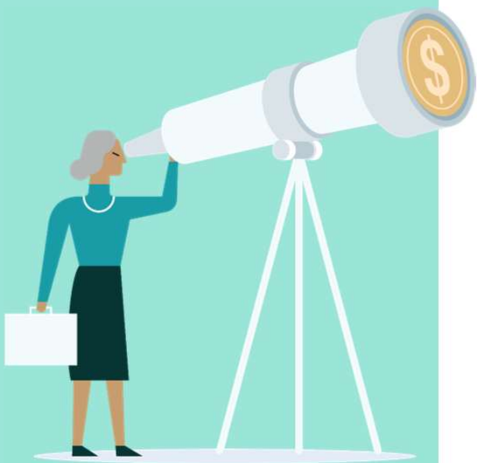
Special Situations

Zero-Rated Supplies



Not the same as exempt supplies!

ITC rules same for costs associated with taxable supplies, ***but*** you don't have to collect/remit.

Examples

- Groceries
- Exports
- Medical supplies/devices

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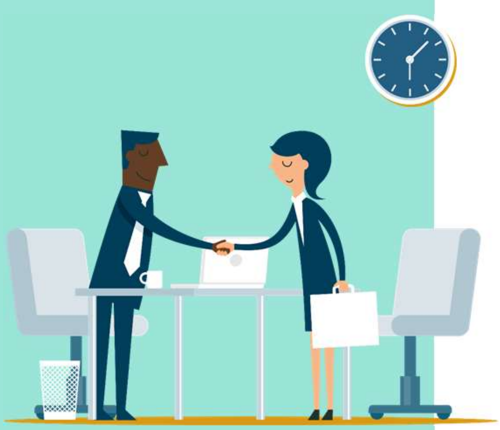
Special Situations

Inter-agency Transactions



Cost-sharing with another NPO or charity? Some tricky considerations:

Charging of a *management fee* may result in a taxable supply on which you should be collecting GST.

Cost sharing arrangements should be clear.

ITCs/rebates are to be claimed by the entity whose name is on the vendor invoice.

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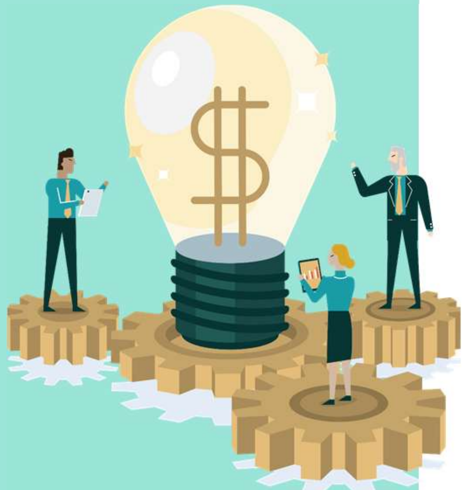
Special Situations

GST and Real Property Transactions



Sale of real property may be subject to GST even if not a registrant.

Applicable factors:
- Nature of real property (e.g., residential or not)
- Is purchaser a registrant?
- Case by case factors

Research and consult in advance!

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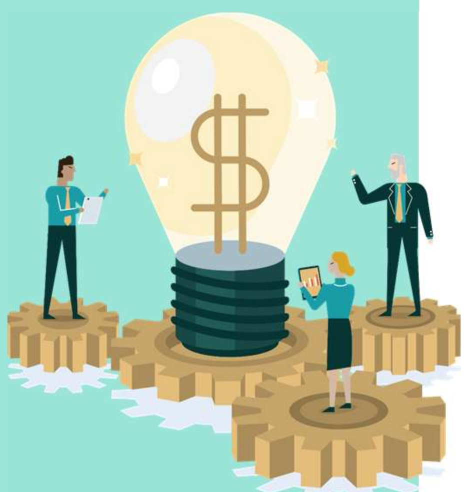
Special Situations

Real Property Change in Use



Changing the use of real property while owning may result in *deemed disposition.*

Possible consequences:
- Repay PSB rebates previously claimed?
- Have to register and collect GST on future revenue from property?
- Switch from PSBs to ITCs?

Can elect to treat Real Property as taxable in advance.
Research and consult in advance if this is a possibility!

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Conclusion

It's complicated!

Read the correct guidance – Charity vs NPO

Understand GST implications *ahead* of major transactions

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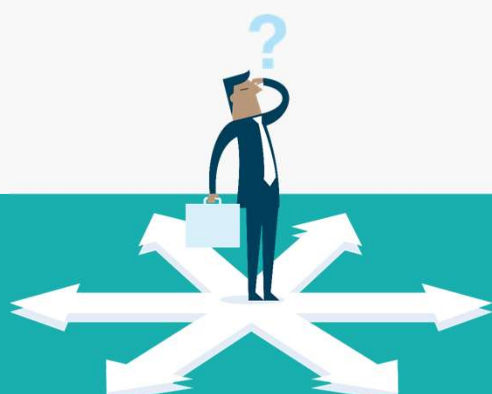

Questions?

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A virtual or phone conversation

or

A clinic, a 1-hour problem-solving session between IntegralOrg subject matter experts and your team.

You might have questions about

- Attaining charitable status
- Strategic planning
- Policies & bylaws (writing and review)
- Social enterprise legal structures
- Governance and board development

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