REVENU QUÉBEC

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THE QST AND THE GST/HST: HOW THEY APPLY TO CHARITIES

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This document is provided for information purposes only. It does not constitute a legal interpretation of the *Excise Tax Act*, the *Act respecting the Québec sales tax* or any other legislation.

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DID YOU KNOW THAT CHARITIES MAY BE ABLE TO CLAIM A 50% REBATE OF THE GST AND QST PAID OR PAYABLE ON THE PURCHASE OF TAXABLE GOODS OR SERVICES FOR WHICH ITCS OR ITRS CANNOT BE CLAIMED?

Read this document for all the details.

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INTRODUCTION

This document provides information for charities and Canadian amateur athletic associations that are registered within the meaning of the *Income Tax Act* and the *Taxation Act*. It discusses various subjects, including taxable and exempt sales, tax rebates, the net tax calculation method for charities, GST and QST registration, and ITCs and ITRs. It complements the document *General Information Concerning the QST and the GST/HST* (IN-203-V).

The information in this document does not apply to charities that are also public institutions (a school authority, public college, university, hospital authority, or local authority determined to be a municipality). Public institutions are not considered charities for the purposes of the GST/HST and the QST.

Abbreviations used in this document

CRA	Canada Revenue Agency
FMV	Fair market value
GST	Goods and services tax
HST	Harmonized sales tax
ITC	Input tax credit
ITR	Input tax refund
PSB	Public service body
QST	Québec sales tax

GENERAL INFORMATION ON THE GST/HST AND THE QST

The supply of most property and services is subject to the **GST** and the **QST**. Most transactions conducted in Canada are GST-taxable at the rate of 5%. Transactions conducted in Québec are subject not only to the GST, but also to the QST at the rate of 9.975% on the sale price.

The **HST** applies in participating provinces (New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island). Registrants must collect and remit the HST on all taxable sales (other than zero-rated sales) they make in participating provinces. To find out the applicable HST rate in each of the participating provinces, see our website at revenuquebec.ca.

GST/HST registrants in Québec must collect the HST on sales they make in participating provinces. However, the term "HST" is not consistently used in this document. The term "GST" is used to mean "GST/HST," unless otherwise specified.

Definitions

The terms below are used frequently in this document. Their definitions are based largely on those provided in the *Excise Tax Act* and the *Act respecting the Québec sales tax*.

Basic tax content

The GST or QST that a person was required to pay on a property at the time it was acquired for the last time and on any improvements thereto. However, any amounts (other than an ITC or ITR) that the person was entitled to or would have been entitled to recover through a rebate or other method must be deducted from the amount of taxes paid. Depreciation of the property must also be taken into account. The depreciation factor is generally calculated by **dividing** the FMV of the property at the time of the change in use, and of any improvements thereto, by the total cost of the property (excluding GST and QST) at the time the person acquired it for the last time. This factor cannot exceed 1.

Charity

A registered charity or a registered Canadian amateur athletic association within the meaning of the *Income Tax Act* and the *Taxation Act*. If the organization **is also** a school authority, public college, university, hospital authority, or local authority determined to be a municipality, it is not considered a charity for the purposes of the GST and the QST; it is considered a public institution.

Commercial activity

Any activity carried out in the course of operating a business, pursuing a venture or supplying immovables, in order to make taxable sales. The making of exempt sales does not constitute a commercial activity.

Exempt sales

The sale of property or a service that is not subject to GST or QST. A person that sells exempt property or services is not required to collect the taxes.

FMV

The highest price that can be obtained for a property on the open market, where the seller and the buyer consent to the transaction, are well-informed and are dealing at arm's length with each other.

Participating province

A province where the HST applies, specifically New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island.

Primarily

More than 50%.

Property

Property includes movable property ("personal property" for GST purposes), immovables ("real property" for GST purposes), corporeal movable property ("tangible personal property" for GST purposes) and incorporeal movable property ("intangible personal property" for GST purposes). Desks, computers, cash registers, spare parts, cleaning products and pencils are examples of **corporeal movable property**. Licences, patents, shares and copyrights are examples of **incorporeal movable property**. "Property" does not include money.

PSB

A PSB includes charities, non-profit organizations, municipalities, hospital authorities, school authorities, public colleges and universities.

Registrant

A person that is registered or that is required to be registered for the GST and the QST. GST registrants are automatically registered for the HST.

Service

All supplies other than supplies of property or money, and other than services rendered to an employer by an employee as part of his or her office or employment.

Small supplier

Charities whose total taxable sales (that is, the worldwide sales of the charity and its associates) are $50,000 or less (the threshold for PSBs) for the current calendar quarter or for the four calendar quarters preceding it. The total taxable sales do not include sales of capital property (for example, a building or an automobile). A charity whose gross revenue did not exceed $250,000 may also, under certain conditions, be considered a small supplier. See "Small suppliers" on page 10.

Supply

The provision of property or a service in any manner whatsoever, including by way of sale, transfer, barter, exchange, lease or gift.

In this document, we normally use the term "sale" instead of "supply" because sales account for most supplies.

Taxable sales

The sale of property or a service made in the course of a commercial activity. Such sales are subject to 5% GST[1] and 9.975% QST. A zero-rated sale is also considered a taxable sale. Registrants that sell taxable property or services (other than zero-rated property or services) must collect the taxes.

Zero-rated sales

The sale of property or a service that is taxable at the rate of 0%. A person that sells zero-rated property or services is not required to collect GST or QST.

1. In this paragraph, GST does not mean the HST.

GENERAL RULES FOR CHARITIES

While most sales of property and services made by businesses are taxable, sales made by charities are usually exempt.

If all of the charity's sales are exempt:

- You cannot register the charity for the GST and QST.
- You do not have to charge tax on sales other than taxable sales of immovables.
- You cannot claim ITCs or ITRs for the taxes paid or payable on purchases and expenses.
- You can claim the public service bodies' rebate for the taxes paid or payable on eligible purchases and expenses.

If some of the sales made by a charity are taxable and the charity is a small supplier, you do not have to register the charity for the GST and the QST. However, you can choose to register it.

If some of the charity's sales are taxable and you choose not to register it for the GST and the QST:

- You do not have to charge tax on sales other than taxable sales of immovables.
- You cannot claim ITCs or ITRs for the taxes paid or payable on purchases and expenses.
- You can claim the public service bodies' rebate for a portion of the taxes paid or payable on eligible purchases and expenses.
- You do not have to register the charity for the GST or QST as long as it is considered a small supplier.

If some of the charity's sales are taxable and you choose or are required to register it for the GST and the QST:

- You must collect and remit the GST and QST on taxable sales.
- You must use the net tax calculation method for charities.
- You can claim ITCs and ITRs only for the taxes paid or payable to acquire or to make improvements to capital property and immovables.
- You can claim the public service bodies' rebate for the taxes paid or payable on eligible purchases and expenses for which you cannot claim ITCs or ITRs.

GST AND QST REGISTRATION

Does the charity need to be registered?

If the charity makes taxable sales, you are generally required to register it for the GST and the QST. You must then collect the taxes when the charity makes taxable (other than zero-rated) sales. However, if the charity is considered a small supplier (see below), you are usually not required to register it, even if it makes taxable sales. If the charity is not a GST and QST registrant, you do not have to collect the taxes, except on certain taxable sales of immovables.

Registrants can generally claim a refund of the taxes paid or payable on property and services acquired for their commercial activities. The refund takes the form of an ITC under the GST system and an ITR under the QST system.

Most charities can claim, using the net tax calculation method for charities, ITCs and ITRs only for the taxes paid or payable on the acquisition of or improvements to capital property and immovables.

However, charities cannot claim ITCs or ITRs for property and services acquired for exempt activities. However, they can claim the public service bodies' rebate for a portion of the GST and QST paid or payable on most property and services for which they cannot claim ITCs or ITRs, regardless of whether they are registrants. See "Public service bodies' rebate" on page 20.

You cannot register a charity for the GST and the QST if all of its sales are exempt. See "Exempt sales" on page 13.

For further information, see *Registering with Revenu Québec* (IN-202-V).

Small suppliers

You are not required to register a charity for the GST and the QST if it is considered a small supplier, that is, if:

- The charity is in its first year of existence.
- The charity is in its second year of existence and its gross revenue did not exceed $250,000 during its first fiscal year.
- The charity has been in existence for more than two years and its gross revenue did not exceed $250,000 in either of the previous two fiscal years.
- The total taxable sales the charity made in a given calendar quarter or in the four calendar quarters preceding it did not exceed $50,000.

To determine the charity's gross revenue, you must take into account its revenue from all sources, such as gifts, grants, property income, investment income and business income. You must also take into account any amount considered to be a capital gain or loss for the purposes of calculating income tax.

The charity's total taxable sales include its worldwide sales (and the worldwide sales of its associates) for a given calendar quarter or for the four calendar quarters preceding it. They do not include amounts relating to financial services, sales of capital property (such as a building or a computer) and goodwill of a business.

Voluntary registration

Even if the charity is considered a small supplier, you may decide to register it for the GST and the QST if it sells taxable property or services. However, you must then collect the taxes on taxable (other than zero-rated) sales.

Once the charity is registered, you must use the net tax calculation method for charities to calculate the taxes to be remitted. See "Net tax calculation method for charities" on page 24.

You cannot claim ITCs or ITRs for the expenses the charity incurred in order to make taxable sales, other than the expenses related to the acquisition of capital property and immovables. However, with this calculation method, you are generally required to remit only 60% of the taxes collected. In addition, you can claim the public service bodies' rebate for a portion of the taxes paid or payable. See "Public service bodies' rebate" on page 20.

Reporting periods

Once the charity is registered, you can elect to file its GST and QST returns monthly, quarterly or annually.

If you do not choose a frequency, we will assign an annual reporting period. Charities that file their returns annually may have to make instalment payments.

Branches or divisions

If the charity has branches or divisions, you can apply to have each one designated as a small supplier division for the purposes of the rule pertaining to small suppliers. This way, you will not have to collect or remit GST and QST when the branches or divisions make taxable sales (other than certain taxable sales of immovables). In addition, you will not be able to claim an ITC or an ITR for the taxes paid or payable on purchases.

A branch or division may qualify as a small supplier division if it meets the following conditions:

- Its taxable sales worldwide did not exceed $50,000 for a given calendar quarter or for the four calendar quarters preceding it.
- It is distinguishable from other branches or divisions by its location or the nature of its activities.
- Its records, books of account and accounting systems are kept separate from those of other branches or divisions.
- An earlier designation, if applicable, was not revoked in the previous 365-day period.

To apply for designation as a small supplier division, you must complete form FP-631-V, *Application by a Public Service Body to Have Branches or Divisions Designated as Small Supplier Divisions.*

NOTE
The GST and QST do not apply to sales made between the branches or divisions of the same charity.

An unincorporated organization, which is not a legal person, may elect to be considered a branch or division of another unincorporated organization of which it is a member, rather than a separate person. In that case, the GST and QST do not apply to supplies of property or services between the two organizations. To make such an election, you must complete form FP-632-V, *Application by an Unincorporated Organization to Be Considered a Branch of Another Unincorporated Organization.*

Cancellation of registration

You can request that the charity's registration for the GST and the QST be cancelled if you determine that it is not required to register. However, if the charity is a small supplier, cancellation can take effect at any time in a fiscal year, provided it has been registered for at least one year on the date on which cancellation of registration comes into effect. To request the cancellation of the charity's registration, you must complete form LM-1.A-V, *Request for Cancellation or Variation of Registration*.

For more information about cancelling registration for the GST and QST, see *General Information Concerning the QST and the GST/HST* (IN-203-V).

EXEMPT SALES

Most sales of property and services made by charities are tax-exempt. This means that you do not collect GST and QST on these sales. Consequently, you cannot claim ITCs or ITRs but you can claim the public service bodies' rebate for a portion of the taxes paid or payable on expenses related to the purchases.

Tax-exempt supplies include:

- childcare services provided usually for less than 24 hours per day for children 14 years of age or younger;
- long-term residential rental accommodation (at least one month of occupancy);
- care and supervision services for children, underprivileged individuals, or individuals with disabilities, when provided by a person operating an establishment for these individuals;
- most services;
- the lease of a commercial building;
- rentals of certain parking spaces;
- catering services for private functions (for example, wedding receptions);
- reception hall rentals;
- sales of used and donated property.

Sales of property and services described in the following sections are also exempt when certain conditions are met.

Fund-raising activities

Most property and services sold by a charity as part of a fund-raising activity are exempt except in the two following cases:

- The charity makes the sales regularly or continually throughout the year, or for a significant part of the year (for example, through a hospital gift shop).
- The charity's clients are entitled to receive the property or services regularly or continually throughout the year, or for a significant part of the year (for example, a magazine subscription).

Example

A charity that sells Christmas cards does not charge tax on the cards because the sales are exempt.

Admissions

Under certain conditions, admission to fund-raising activities, performances, athletic or competitive events, or to places of amusement is tax-exempt when sold by a charity.

Fund-raising activity

Admission fees for fund-raising events such as dinners, dances, concerts, performances or other similar activities are exempt if a portion of the amount paid constitutes a charitable donation that can be deducted in calculating income tax or that could be deducted if the amount was paid by an individual.

Example

A charity sells tickets for a fund-raising dinner at $200 each. Of that amount, $100 represents a charitable donation for income tax purposes. In this case, the full cost of the ticket is tax-exempt and no taxes should be charged.

Performance or athletic event

Admission to a performance or an athletic or competitive event is exempt if 90% or more of the performers, athletes or competitors receive no direct or indirect remuneration for their participation. Government and municipal grants, and reasonable amounts remitted as prizes, gifts, or allowances for travel or for other expenses, are not considered remuneration. In addition, no advertisement for the performance or event can feature paid participants.

You must collect the GST and QST on admission to competitive events (for example, professional golf tournaments) where professional competitors compete for cash prizes.

Place of amusement

A place of amusement is any place that presents, for example, films, slide shows, artistic presentations, fairs, circuses, races or athletic contests. It also includes museums, historical sites, wildlife parks, zoos, and places where bets are taken.

Admission to a place of amusement is exempt if the **maximum amount** you collect does not exceed $1.

Meals and lodging

Food, beverages and short-term accommodation (for less than one month) are exempt when provided by a charity to relieve the poverty, suffering, or distress of individuals.

Example

Meals provided by a charity at a soup kitchen are exempt.

Food or beverages are also exempt when provided by a charity to seniors, underprivileged individuals or individuals with a disability under programs designed to offer prepared meals in an individual's home. Food and beverages sold to a charity under such programs are also exempt.

Free property and services

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

This rule does not apply to:

- the supply of blood or blood derivatives;
- the supply by lease, licence or other similar agreement of a parking area that is made for consideration as part of a business operated by a charity.

Property and services sold at direct cost

Certain taxable property and services may become exempt if they are sold at direct cost.

Direct cost rules do not apply to supplies made by lease, licence or other similar agreement. These rules also do not apply to sales of capital property, designated municipal property and supplies of incorporeal movable property.

The direct cost of a property or service corresponds to its cost, including GST, QST and the duties and fees paid at the time of purchase. However, it does not include the partial QST rebate that can be claimed by an organization not registered for the QST. Nor does it include employee salaries or administrative or overhead expenses incurred to supply the property or service.

	Property or service acquired	**Property produced or manufactured by the organization**
Included in the direct cost	Purchase price of the property or service (including GST and QST)	Purchase price of components and packaging (including GST and QST)
Excluded from the direct cost	Administrative expenses incurred to supply the property or service	Administrative expenses incurred to supply the property
	Overhead expenses incurred to supply the property or service	Overhead expenses incurred to supply the property
	Salaries	Salaries or services
	Capital costs	Capital costs
	Partial QST rebate for a non-registered organization	Partial QST rebate for a non-registered organization

Seller that is a registrant

If you wish to recover only the direct cost of a property or service, you can elect to consider the sale of the property or service exempt, provided:

- You do not charge GST and QST, and the total price set by the charity corresponds to the usual asking price and does not exceed its direct cost.
- You charge the taxes separately, and the price (excluding taxes) set by the charity corresponds to the usual asking price and is less than its direct cost (excluding taxes). In this case, the taxes are considered to be collected in error.

In all other cases, the sale will be taxable.

Seller does not charge the taxes.	Total price set by the charity ≤ direct cost	Exempt sale
	Total price set by the charity > direct cost	Taxable sale
Seller charges the taxes.	Price (taxes excluded) set by the charity < (direct cost – GST – QST)	Exempt sale
	Price (taxes excluded) set by the charity ≥ (direct cost – GST – QST)	Taxable sale

Example

A registered charity buys jerseys bearing its logo for $15.66 each, plus $0.78 GST[2] and $1.56 QST. The direct cost of each jersey is thus $18 ($15.66 + $0.78 + $1.56), that is, the purchase price plus GST and QST.

If you sell the jerseys for $18 each and do not collect the GST and QST, the sale is exempt because the total price is equal to the direct cost. The charity can claim partial GST and QST rebates.

If you sell the jerseys for $15.66 each and collect $0.78 GST and $1.56 QST, the sale is taxable because the price (excluding taxes) is equal to the direct cost (excluding taxes). If the charity uses the net tax calculation method, it must remit 60% of the taxes collected and it cannot claim ITRs or ITCs for the GST and QST paid on the purchase of the jerseys. However, the charity can claim partial GST and QST rebates.

Seller that is not a registrant

If you want to recover only the direct cost of a property or service, you can elect to deem the sale of the property or service exempt provided the total price corresponds to the usual asking price and does not exceed the direct cost. If the total price exceeds the direct cost, the sale is taxable.

Seller does not charge the taxes	Total price ≤ direct cost	Exempt sale
	Total price > direct cost	Taxable sale

Example

A non-registrant charity buys jerseys bearing its logo for $15.66 each, plus $0.78 GST[2] and $1.56 QST. As a public service body, the charity is entitled to a QST rebate of $0.78. The direct cost is therefore $17.22 ($15.66 + $0.78 + $1.56 – $0.78), that is, the purchase price plus GST and QST minus the partial QST rebate to which the charity is entitled as a public service body.

If you sell the jerseys for $17.22 each, the sale is exempt because the total price is equal to the direct cost.

2. In this paragraph, GST does not mean the HST.

Games of chance

If a charity organizes games of chance, such as a bingo or a casino night, the taking of bets and the sale of bingo cards are exempt.

If a charity organizes games of chance and charges a separate admission fee for that event, the fee is exempt provided 90% or more of the functions are carried out by volunteers. In the case of a bingo or casino event, the fee is also exempt provided the activity is not held in a place (including a temporary structure) used primarily for games of chance.

Example

A bingo tent is put up on a fair ground. Admission is taxable.

Recreational programs

If a charity provides supervision or instruction as part of a recreational or sports program intended primarily for children aged 14 or younger, the program fees are exempt. They become taxable, however, if a large part of the program involves overnight supervision.

Fees for recreational programs intended primarily for underprivileged individuals or individuals with a disability are exempt. This is also the case if board, lodging or recreational services at a recreational camp are offered.

TAXABLE SALES

While most sales of property and services that a charity makes are exempt, some are taxable. If the charity is a registrant, it must collect GST and QST on these sales, provided they are not zero-rated.

Below are some examples of taxable sales (other than zero-rated sales) that charities can make:

- sales of movable property previously used in commercial activities;

> **Example**
>
> A charity sells a cash register it used in a hospital gift shop. The sales of the gifts were taxable. The sale of the cash register is therefore taxable.

- sales of corporeal movable property acquired, manufactured or produced for resale for a price greater than its direct cost, and any service provided with the property, unless the property or service is sold by the charity under a contract with a catering service;
- except for certain fund-raising activities, admissions to a place of amusement if at least one of the admissions is more than $1;
- sales of memberships that entitle members to benefits such as free or discounted admissions to a place of amusement (for example, a museum, theatre or recreational complex), provided the admission is taxable and sold separately. However, if the value of the benefit is insignificant (less than 30%) in relation to the membership fee, the membership is exempt from GST and QST;
- sales of services of performing artists, if the purchaser charges taxable admissions;
- sales of cosmetic services to improve or change an individual's physical appearance.

Designated charities

The main role of certain charities is to provide employment or employment-related services (such as occupational training, employment placement and instruction in job-seeking skills) to individuals with disabilities. These charities can apply for designation by contacting us as shown at the end of this document.

Once a charity is designated, some services it provides become taxable, in which case they must be provided to registrants. However, employment-related services are exempt if provided to a public sector body or other body established by a government or municipality.

You can therefore claim ITCs and ITRs for taxes paid or payable on expenses related to taxable services and calculate the net tax according to the general rules. See the guide *General Information Concerning the QST and the GST/HST* (IN-203-V).

SPECIAL CASES

Donations and gifts

A donation or gift is a voluntary transfer of money or property for which the donor does not receive any benefit in return. The GST and the QST do not apply to donations and gifts.

If a charity supplies taxable property or services (other than zero-rated property or services) in exchange for a donation, the GST and QST are only calculated on the FMV of the property or services if a receipt for income tax purposes is issued for a portion of the donation, or if a receipt could be issued to a purchaser who is an individual.

> NOTE
> The GST and QST do not apply if the donor receives property in return that has little or no resale value, such as a key ring or a pin.

Grants and subsidies

Grants and subsidies paid to a charity can range from modest amounts to larger sums earmarked for major projects funded by a government, municipality or other organization. The GST and the QST do not usually apply to such payments if the grantor does not receive any property or services in return.

However, if there is a direct link between a payment received and a supply made to either the grantor or to a third party, the amount may be regarded as payment for a supply. In this case, the payment may be taxable and tax may need to be collected on the amount. Generally, no taxes are collected for services because most services provided by charities are exempt.

Sponsorships

If a charity is sponsored by a business in exchange for promotional services or the right to use the charity's logo, the amounts the charity receives are not considered a payment for property or services and are not subject to GST and QST.

If the promotional services primarily involve advertising on television or radio, or in a newspaper, magazine or other periodical, they constitute a supply of an advertising service. Such a service is exempt when provided by a charity.

> **Example**
> The players on a charity's soccer team wear uniforms that display the name of a business that sponsors them. The sums that the business paid to the charity are not subject to GST and QST.

PUBLIC SERVICE BODIES' REBATE

Charities are eligible for a rebate of 50% of the GST[3] and QST paid or payable on purchases of taxable (other than zero-rated) property and services for which they cannot claim ITCs or ITRs. Charities must be resident in Québec to receive the public service bodies' QST rebate.

Example

A charity that provides a meals-on-wheels service to underprivileged individuals purchases disposable dinnerware for $500. The charity is not entitled to ITCs or ITRs because the sales of the meals are exempt. However, it can claim a rebate of 50% of the GST[3] and QST paid on the dinnerware it purchased.

GST rebate

($500 × 5%) × 50% = $25 × 50% = **$12.50**

QST rebate

($500 × 9.975%) × 50% = $49.88 × 50% = **$24.94**

If a charity purchases property or services in a province where the HST applies, it may be entitled to a partial rebate of the federal component (including GST[3]) of the HST paid or payable.

In addition, a charity that is resident in Québec and in at least one participating province may be entitled to a partial rebate of the provincial component of the HST paid on property and services it purchases. For more information, see the guide *GST/HST Public Service Bodies' Rebate* (RC4034) published by the CRA and available at canada.ca/taxes.

The charity **does not need to be a registrant** to claim this rebate.

Expenses eligible for the rebate

Charities can claim a rebate of the GST[3] or QST paid or payable during a given claim period on eligible purchases and expenses, minus the following amounts:

- any ITCs or ITRs that the charity claimed or was entitled to claim for any portion of the GST or QST;
- any tax refunds, rebates or remissions that it is reasonable to expect the charity received or was entitled to receive;
- any amount of GST or QST that was refunded, credited, or adjusted in favour of the charity and for which it has received a credit note from the supplier or has issued a debit note to the supplier.

The following expenses **give entitlement** to the public service bodies' rebate:

- general operating expenses, such as rent, utilities, and administration expenses that do not give entitlement to ITCs and ITRs;
- certain allowances and reimbursements paid to employees and volunteers;
- property and services used, consumed or provided for exempt activities;
- capital property that the charity intends to use primarily for activities that are exempt at the time the property is purchased.

3. In this paragraph, GST does not mean the HST.

Certain expenses, including the following, **do not give entitlement** to the public service bodies' rebate:

- memberships in a club that provides its members with recreational, dining or sporting facilities;
- alcoholic beverages, tobacco products and cannabis products bought for resale without a meal, if no taxes are payable on the resale of the products;
- property or services bought to provide long-term residential accommodation (one month or more), unless more than 10% of the accommodation is restricted to seniors, youths, students, the underprivileged, individuals with a disability or low-income individuals who qualify for a rent reduction;
- property or services purchased and used primarily to supply a parking space made available to residential tenants, unless more than 10% of the accommodation is restricted to seniors, youths, students, the underprivileged, individuals with a disability or low-income individuals who qualify for a rent reduction.

Expenses related to municipal activities

A charity can be designated as a municipality for certain exempt municipal activities it carries out. The charity is therefore considered a municipality for these activities only.

Exempt activities include:

- a recreational program intended primarily for children aged 14 or younger, or for underprivileged individuals or individuals with a disability, if the program is intended for a clientele defined by its inclusion within the territory of a municipality;
- the supply of a right conferring borrowing privileges at a public library, if such privileges are intended for a clientele defined by its inclusion within the territory of a municipality.

A charity designated as a municipality may be entitled to a rebate of 100% on the GST[4] paid and 50% on the QST paid on the expenses incurred for exempt municipal activities. If the HST is paid on these expenses, the rebate corresponds to 100% of the federal component of the HST.

If a charity designated as a municipality is resident in a participating province, it may be entitled to a rebate of the provincial component of the HST paid or payable for its exempt municipal activities. For more information, see the guide *GST/HST Information for Municipalities* (RC4049) published by the CRA and available at canada.ca/taxes.

Rebate applications

When you file an application for the first time, you must complete form FP-2066-V, *GST/HST and QST Public Service Bodies' Rebate Application*. We will process your application and send you a personalized version of these forms for your next rebate application.

If the charity is not a registrant, you must submit one application for the public service bodies' rebate for the first six months of the fiscal year and another for the last six months. You must file your application within four years after the last day of the charity's filing period.

4. In this paragraph, GST does not mean the HST.

If the charity is a registrant, the filing period corresponds to its GST and QST reporting period. You must therefore apply to receive the rebate on a monthly, quarterly or annual basis. You must file a rebate application within four years following the date on which the charity must file its GST and QST return for the period in which it incurred expenses giving entitlement to the rebate.

If you filed a public service bodies' rebate application for a given claim period and later realize that you could have claimed another rebate for the taxes paid or payable during that period, you can claim that rebate during a later claim period if the following conditions are met:

- You did not claim a rebate of the taxes paid on another application.
- The subsequent claim period ends after September 8, 2017.
- The charity was a charity for the entire period beginning on the first day of the given claim period and ending on the last day of the subsequent claim period.
- The rebate percentage for the tax amounts stayed the same throughout the period.
- The application is filed within two years following:
  - the deadline for filing the return for the given claim period, if the charity is a registrant,
  - the date that is three months after the last day of the given claim period, if the charity is not a registrant.

NOTE

If all of the above conditions are not met, you must file an amended application for the claim period in which the taxes were paid or became payable. Only one application can be filed for each period.

For more information, see the *Guide to the GST/HST and QST Public Service Bodies' Rebate Application* (FP-2066.G-V).

Branches and divisions

If the charity has several branches or divisions, you can apply for authorization to have them file separate rebate applications using form FP-2010-V, *Application or Revocation of Application to File Separate Returns or Rebate Applications*. Each branch or division must be separately identified by its location or the nature of its activities, and must keep separate records, books of account and accounting systems.

Simplified method for calculating the rebate

You can use the simplified method to calculate the rebate regardless of the method you use to calculate net tax payable. When you use this method, you do not have to keep track of the GST and QST indicated on each invoice. You must, however, distinguish the purchases on which GST and QST were paid from the purchases on which they were not.

The charity must meet the following conditions to use the simplified method:

- The taxable (other than zero-rated) purchases (including purchases imported into Canada or brought into Québec) for the previous fiscal year did not exceed $4 million and it is reasonable to expect that they will not exceed that amount for the current fiscal year.
- The taxable sales that the charity and its associates made worldwide (other than sales of financial services, goodwill and real property that is capital property) for the previous fiscal year and all quarters ended in the current fiscal year did not exceed $1 million.

You do not have to complete any forms to use this method.

To calculate the GST and QST rebates, follow the steps in the *Guide to the GST/HST and QST Public Service Bodies' Rebate Application* (FP-2066.G-V).

OTHER REBATES

Exported property and services

Regardless of whether the charity is a registrant, you can claim a rebate of 100% of the GST and QST paid on property and services that the charity purchased and then exported outside Canada (or shipped outside Québec, for QST purposes) and for which it cannot claim ITCs and ITRs.

You must claim the rebate on form FP-2066-V, *GST/HST and QST Public Service Bodies' Rebate Application*.

Example

A charity that uses medical equipment in a clinic located in Central America is entitled to a GST rebate and a QST rebate for the taxes paid on the equipment it exported.

Printed books

If the charity operates a public lending library, it may be entitled to claim a rebate of 100% of the GST[5] (or of the federal component of the HST) paid on the purchase of printed books (or the update of printed books), audio recordings of printed books and printed versions of religious scriptures, if these items are not acquired to be resold or given away.

If the charity's main purpose is to promote literacy, it may also be entitled to claim the rebate if it purchases the above-mentioned property to donate it. To claim the rebate, you must contact the CRA in order to have the charity recognized as a charity by regulation. If the charity purchases the above-mentioned property to resell it, it cannot claim the rebate.

The application must be submitted using form FP-2066-V, *GST/HST and QST Public Service Bodies' Rebate Application*.

For more information, see GST/HST memorandum 13.4, *Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures*, which is published by the CRA and available at canada.ca/taxes.

NOTE

There is no equivalent QST rebate. The sale of printed books identified by an International Standard Book Number (ISBN) is zero-rated for QST purposes.

Property or services purchased in a participating province

If a charity purchases property or services in a participating province and consumes, uses or supplies them primarily (90% or more) in Québec, the charity may, under certain conditions, be entitled to a rebate of the provincial component of the HST. However, the charity cannot claim the rebate if it claimed an ITC.

For more information, see the guide *GST/HST Information for Charities* (RC4082) published by the CRA and available at canada.ca/taxes.

NOTE

If the property or services brought into Québec are taxable and are not acquired exclusively in the course of the charity's commercial activities, you must remit the QST on the value of the property or services. For more information, contact us as shown at the end of this document.

5. In this paragraph, GST does not mean the HST.

CALCULATING THE NET GST AND QST

If the charity is a registrant, you must generally use the net tax calculation method for charities to complete GST and QST returns. You cannot use the Special Quick Method of Accounting for public service bodies.

You may, however, elect not to use the net tax calculation method for charities if one of the following situations applies:

- The charity makes sales of property and services outside Canada (or outside Québec, for QST purposes) in the ordinary course of a business.
- The charity makes zero-rated sales of property and services in the ordinary course of a business.
- Substantially all (90% or more) of the charity's sales are taxable.

To make the election, complete and return form FP-2488-V, *Election or Revocation of an Election Not to Use the Net Tax Calculation for Charities*. You then calculate the net tax according to the general rules.

Designated charities cannot use the net tax calculation method for charities. See "Designated charities" on page 18.

Net tax calculation method for charities

Under the net tax calculation method for charities, you must remit 60% of the taxes charged (collected or collectible). If capital property or immovables are sold, you must remit all of the taxes collected or collectible.

However, you can claim ITCs and ITRs only with respect to taxes paid to purchase or make improvements to capital property or immovables. See "Capital property" on page 28.

In addition, you can claim a rebate of 50% of the GST and QST paid for which you cannot claim ITCs or ITRs, even if the sales of property or services are taxable.

To calculate the net tax, follow the steps described below.

Calculation of the tax to be remitted

Add the following amounts:

- 60% of the tax charged (collected or collectible) on taxable sales of property and services (other than sales of capital property or immovables);
- the tax charged on taxable sales (including sales deemed to have been made under the law) of capital property or immovables;
- the tax payable on property or services appropriated to a member of the charity or an individual related to that member;
- the tax payable on property or services provided to an employee, where the property or services are a taxable benefit for income tax purposes;
- the tax collected on sales made as the agent of a person with whom you agreed to account for the tax;
- a tax adjustment made further to the recovery of a bad debt related to the taxable sale of capital property or an immovable;
- a tax adjustment made further to the acquisition of immovables or capital property for which you had previously claimed ITCs or ITRs;
- any unreported amount from a previous reporting period for which the charity was not required to file a return and that must be included in the calculation of the net tax for that period (this is the case if the charity obtained authorization not to file returns for periods in which it has $1,000 or less in net tax to report);
- any tax collected in error.

Calculation of the amounts to be deducted

Add the following amounts:

- the ITCs or ITRs you are claiming for purchases of or improvements to immovables or capital property;
- the ITCs or ITRs for property acquired by the charity and sold by a person acting as the charity's agent;
- 60% of the tax adjustments that you gave in the period to buyers of certain property or services;
- any tax adjustment you gave or bad debt you wrote off during the period in relation to the sale of immovables or capital property.

Calculation of net tax

Subtract the amounts to be deducted from the tax to be remitted.

Example

A charity that is a registrant operates an art gallery and uses the net tax calculation method for charities. Its main source of revenue is taxable gallery admissions. During its previous reporting period, it earned exempt revenues from a parking lot and held a fund-raising dinner for which admission was also exempt. In addition, it acquired computer equipment and had a ventilation system installed for use primarily in its commercial activities. Its taxable revenues and expenses are as follows:

Taxable revenues		
Gallery admissions		$20,000.00
Sales from gift shop	+	$5,000.00
		$25,000.00
GST[6] collected ($25,000 × 5%)	+	$1,250.00
QST collected ($25,000 × 9.975%)	+	$2,493.75
Total	=	**$28,743.75**

Taxable expenses (excluding GST and QST)		
Contracted services (security and maintenance)		$3,000
Utilities	+	$1,500
Ventilation system	+	$9,200
Computer equipment	+	$2,000
Gift shop inventory	+	$2,500
Catering services for fund-raising dinner	+	$3,500
Total	=	**$21,700**

Calculation of net GST

GST payable

60% of the GST charged, that is, $1,250 × 60% = $750

Calculation of amounts to be deducted

GST paid on the purchase of the ventilation system (improvements made to an immovable) and computer equipment (purchase of capital property) to be used in the gallery's commercial activities.
ITC = 5% × ($9,200 + $2,000) = $560

Calculation of net GST

The net GST is **$190** ($750 – $560).

6. In this example, GST does not mean the HST.

Calculation of net QST

QST payable

60% of the QST charged, that is, $2,493.75 × 60% = $1,496.25

Calculation of amounts to be deducted

QST paid on the purchase of the ventilation system (improvements made to an immovable) and computer equipment (purchase of capital property) to be used in the gallery's commercial activities.
ITR = 9.975% × ($9,200 + $2,000) = $1,117.20

Calculation of net QST

The net QST is **$379.05** ($1,496.25 – $1,117.20).

The charity is also entitled, as a PSB, to a partial rebate for taxes paid on expenses that do not give entitlement to ITCs and ITRs in the calculation of its net tax, that is, expenses other than those to purchase the ventilation system and computer equipment.

Public service bodies' GST and QST rebates

Total taxable expenses other than expenses to purchase the ventilation system and computer equipment

$21,700 – ($9,200 + $2,000) = $10,500

GST paid on these expenses:

5% × $10,500 = $525

Public service bodies' GST rebate

50% × $525 = $262.50

QST paid on these expenses:

9.975% × $10,500 = $1,047.38

Public service bodies' QST rebate

50% × $1,047.38 = **$523.69**

Filing GST and QST returns

You must remit the net tax payable or claim a rebate for each reporting period. The public service bodies' rebate to which the charity is entitled can be used to offset the net tax payable for a reporting period.

You can choose to file the GST and QST returns online or by mail. For more information on online filing, see our website at revenuquebec.ca. To mail us your returns, use the *GST/HST – QST Return* (form FPZ-500-V or FPZ-500-AR-V).

If you file the charity's returns online, send us the rebate applications separately. If you file the returns by mail, enclose the applications with the returns.

Branches and divisions

If the charity has several branches or divisions, you can apply for authorization to have them file separate rebate applications using form FP-2010-V, *Application or Revocation of Application to File Separate Returns or Rebate Applications*. Each branch or division must be separately identified by its location or the nature of its activities, and must keep separate records, books of account and accounting systems.

If the charity is authorized to file separate returns for its branches or divisions, you must also file separate rebate applications for them and enclose the applications with the returns.

ITCS AND ITRS

Registrants can recover the taxes paid or payable on property and services purchased for their commercial activities, that is, to make taxable sales (including zero-rated sales). The refund takes the form of ITCs under the GST system and ITRs under the QST system.

Since most charities must use the net tax calculation method, they can claim ITCs and ITRs only for the taxes paid or payable on the acquisition of or improvements to capital property or immovables.

Charities cannot claim ITCs and ITRs for property and services acquired for their tax-exempt activities. However, as a PSB, they can claim a partial rebate of the GST and QST paid or payable on purchases to make exempt sales of property or services. For more information, see "Public service bodies' rebate" on page 20.

As a rule, registrants claim their ITCs and ITRs when they file their GST and QST returns for the reporting period during which the purchases were made. However, you generally have up to four years in which to claim them.

Capital property

Capital property is generally defined for income tax purposes. It is depreciable property for which capital cost allowance can be claimed. It also includes property other than depreciable property for which any gain or loss (for example, following its sale) would result in a capital gain or capital loss.

Capital property includes immovables, such as land and buildings, and movable property, such as photocopy machines, office furniture, cash registers and equipment.

Certain rules apply when you claim ITCs and ITRs for capital property. If such property is used in a proportion of more than 50% in commercial activities, a charity that is not a financial institution can claim an ITC and an ITR equal to the full amount of GST and QST paid. If the percentage of commercial use is 50% or less, the charity is not entitled to an ITC or an ITR. However, it can claim the public service bodies' rebate for a portion of the taxes paid.

Commercial use	ITCs and ITRs	Public service bodies' rebate
More than 50%	Taxes paid	None
50% or less	None	% of the taxes paid

Example

A charity buys office furniture for $2,000, plus $100 GST[7] and $199.50 QST. The furniture is used in a proportion of 60% in commercial activities and 40% in exempt activities.

Since the percentage of commercial use of the furniture is more than 50%, the charity can claim an **ITC** of **$100** and an **ITR** of **$199.50**.

You can elect to have certain exempt sales of immovables treated as taxable sales. To find out how this election affects ITCs and ITRs, see "Special election for immovables" on page 32.

7. In this example, GST does not mean the HST.

Change in use

The use of capital property may change over the years. Consequently, you can recover or may be required to pay GST and QST for certain changes in use.

Increased use of capital property for commercial purposes

Capital property used in a proportion of more than 50% in exempt activities is now used in a proportion of more than 50% in commercial activities.

The charity can claim ITCs and ITRs to recover all or a portion of the GST and QST paid. The ITCs or ITRs are equal to the property's basic tax content at the time of the change in use.

Decreased use of capital property for commercial purposes

Capital property used in a proportion of more than 50% in commercial activities is now used in a proportion of more than 50% in exempt activities.

The charity must remit all or part of the ITCs and ITRs received. The GST or QST that must be remitted for the property is equal to its basic tax content at the time of the change in use.

Example

In 2017, a charity bought office furniture that was to be used in a proportion of 60% in exempt activities. It paid $1,500 for the furniture, plus $75 GST[8] and $149.63 QST. The charity claimed a public service bodies' rebate of 50% of the taxes paid (a GST rebate of $37.50 and a QST rebate of $74.82).

In 2018, the charity began to use the furniture in a proportion of 60% in commercial activities. The FMV of the furniture was $1,200 at the time of the change in use.

The charity is entitled to the following ITC and ITR equal to the basic tax content:

ITC = ($75 – $37.50) × $1,200 / $1,500 = **$30**

ITR = ($149.63 – $74.82) × $1,200 / $1,500 = **$59.85**

8. In this example, GST does not mean the HST.

IMMOVABLES

This part discusses the rules applicable to the sale and rental of immovables such as land and buildings.

Taxable sales and leases

Most sales and leases of immovables made by a charity are exempt. However, certain sales and rentals of immovables are taxable, such as the following:

- sales of new houses or houses that have undergone substantial renovations;
- sales of vacant land to an individual;
- sales of immovables used primarily for commercial activities;
- immovables that the charity elected to treat as taxable (see "Special election for immovables" on page 32).

ITCs and ITRs

Certain rules must be followed to claim ITCs and ITRs.

If an immovable's percentage of use in commercial activities is more than 50%, a charity can claim an ITC and an ITR equal to the full amount of GST and QST paid. If the percentage of use in commercial activities is 50% or less, a charity cannot claim an ITC or an ITR. However, as a PSB, it can claim a partial rebate of the taxes paid on the purchase of the capital property. See "Public service bodies' rebate" on page 20.

Commercial use	ITCs and ITRs	Public service bodies' rebate
More than 50%	Taxes paid	None
50% or less	None	% of the taxes paid

The use of an immovable may change over the years. If an immovable that was used in a proportion of more than 50% in exempt activities is now used primarily in commercial activities, a charity can claim ITCs and ITRs. If an immovable that was used in a proportion of more than 50% in commercial activities is now used primarily in exempt activities, a charity may have to remit the ITCs or ITRs claimed earlier. For information on the rules that apply in such situations, see "Change in use" on page 29.

Subsidized residential complexes

The following rules apply if a charity receives government funding to build a residential complex, where it intends to lease at least 10% of the residential units to seniors, youths, students, underprivileged individuals, individuals with a disability, or low-income individuals who are entitled to a rent reduction.

Government funding is an amount for a building project that is paid by a government (federal or provincial), a municipality, an Indian band, or a body established by a government or a municipality to fund charitable or non-profit endeavours on its behalf.

During the construction, the charity can register for the GST and the QST. You can then claim ITCs and ITRs for the property and services purchased during the construction of the complex. If the charity is not registered for the GST and QST, it is entitled, as a public service body, to a partial rebate of the GST and QST paid.

When the construction is substantially completed and the first residential unit is leased for use by an individual as a place of residence, the building is deemed to have been sold. You must then calculate and remit the GST and QST, based on the greater of the following amounts:

- the GST and QST calculated on the FMV of the residential complex;
- the GST and QST paid on the acquisition of the land and on the construction of the building, calculated at the rate in effect at the time the building is deemed to have been sold.

If the charity is a registrant, you must remit the taxes when the *GST/HST – QST Return* (form FPZ-500-V or FPZ-500.AR-V) is filed for the reporting period in which the building is deemed to have been sold. If the charity is not a registrant, you must file form FP-505.2-V, *GST/HST and QST Return for the Self-Supply of a Residential Complex*.

If the charity is not a registrant, it can claim a rebate after the taxes have been remitted. The rebate is equal to the lower of the following amounts:

- the taxes remitted on the deemed sale;
- the basic tax content of the value of the immovable at that time.

In addition, the charity is considered to have reacquired the immovable for the value of the deemed sale. Since the charity uses the immovable to lease residential units (exempt lease), it can claim, as a PSB, a partial rebate of the GST and QST paid on that value.[9]

Example

A charity that is building a multiple-unit residential complex for seniors registers for the GST and the QST. It receives government funding for the building's construction. The charity paid $10,000 GST[9] and $19,950 QST on the purchase of the land, and $48,750 GST and $97,256 QST on the construction of the building. It claimed ITCs and ITRs to recover the taxes. The building's FMV is less than the cost of the land and the construction.

When the charity first leases a unit in the complex to an individual as a place of residence, it must remit amounts equal to the GST and QST. Since the FMV of the building is less than the land purchase and building construction costs, the charity must remit amounts equal to the taxes it paid on the purchase of the land and the construction of the building. It must therefore remit **$58,750** ($10,000 + $48,750) **GST** and **$117,206** ($19,950 + $97,256) **QST**.

However, as a PSB, the charity can claim a 50% rebate (the rate for charities) of the taxes paid, that is, **$29,375** (50% × $58,750) **GST** and **$58,603** (50% × $117,206) **QST**.

9. In this example, GST does not mean the HST.

Special election for immovables

Most sales and leases of immovables made by a charity are exempt. Even if the charity is a registrant, you cannot claim ITCs and ITRs to recover the taxes paid on the acquisition of immovables used primarily in the course of exempt activities, or on any improvements to such immovables. See "ITCs and ITRs" on page 28.

However, you can elect to have certain exempt sales and leases of an immovable treated as taxable. This election allows you to claim ITCs and ITRs for the GST and QST paid on the immovable, based on the commercial use of the immovable. For example, an immovable that is used more than 10% in commercial activities gives entitlement to ITCs and ITRs for the GST and QST paid on the acquisition of the immovable, on any improvements made and on expenses related to it, based on the percentage of commercial use. If the percentage of commercial use is 10% or less, you cannot claim ITCs or ITRs. If the percentage of commercial use is 90% or more, you can claim ITCs and ITRs equal to the full amount of GST and QST paid on the acquisition of the immovable, on any improvements made and on expenses related to it. The rule pertaining to primary use that a charity generally follows in claiming ITCs and ITRs for immovables does not apply.

The election can be made in the following cases:

- The immovable is capital property.
- The immovable is held in inventory.
- The immovable is leased for the purpose of re-leasing it.

An immovable comprises both the land and the buildings located on the land.

To make this election, you must complete form FP-2626-V, *Election by a Public Service Body Respecting Real Property (an Immovable) or Revocation of the Election*.

TO CONTACT US

Online

revenuquebec.ca

By telephone

Individuals and individuals in business

Monday to Friday: 8:30 a.m. to 4:30 p.m.

Québec City	Montréal	Elsewhere
418 659-6299	**514 864-6299**	**1 800 267-6299** (toll-free)

Businesses, employers and agents for consumption taxes

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.
Wednesday: 10:00 a.m. to 4:30 p.m.

Québec City	Montréal	Elsewhere
418 659-4692	**514 873-4692**	**1 800 567-4692** (toll-free)

Complaints – Bureau de la protection des droits de la clientèle

Monday to Friday: 8:30 a.m. to noon and 1:00 p.m. to 4:30 p.m.

Québec City	Elsewhere
418 652-6159	**1 800 827-6159** (toll-free)

Individuals with a hearing impairment

Montréal	Elsewhere
514 873-4455	**1 800 361-3795** (toll-free)

By mail

Individuals and individuals in business

Montréal, Laval, Laurentides, Lanaudière and Montérégie
Direction principale des relations
avec la clientèle des particuliers
Revenu Québec
C. P. 3000, succursale Place-Desjardins
Montréal (Québec) H5B 1A4

Québec City and other regions
Direction principale des relations
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