Ministère du Revenu du Québec

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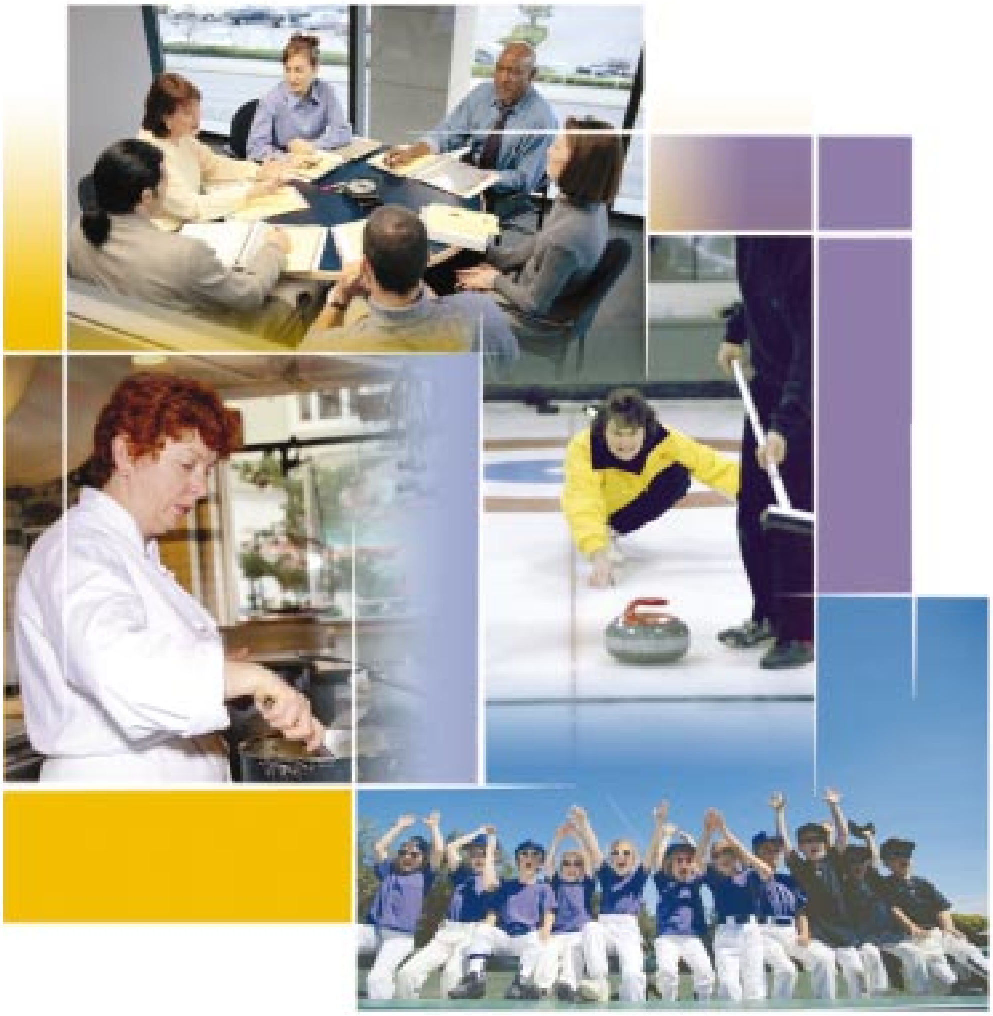
The QST and the GST/HST

How They Apply to Non-Profit Organizations



Canada

Québec

This brochure is provided for information purposes only. The texts it contains do not replace any statutes or regulations (or administrative documents referred to therein), or any proposed legislative amendments; nor does it constitute a legal interpretation of the *Act respecting the Québec sales tax*, the *Excise Tax Act* or any other Québec or federal statute.

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Introduction

This brochure, which is intended for non-profit organizations (NPOs), complements the brochure entitled *General Information Concerning the QST and the GST/HST: Guide for Registrants* (IN-203-V).

An NPO is an **entity created and operated solely for non-profit purposes**. Its income must not be distributed to proprietors, shareholders or members, or made available to them for personal gain.

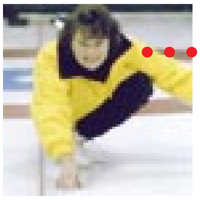
It should be noted that an individual, succession, trust, charity,[1] public institution,[2] municipality or government **is not** considered an NPO for the purposes of the goods and services tax (GST), the harmonized sales tax (HST) or the Québec sales tax (QST). This brochure is therefore not intended for them.

This brochure provides information on various subjects, including registration for the GST and the QST, taxable and exempt sales, input tax credits (ITCs), input tax refunds (ITRs), and the other **refunds and rebates to which you may be entitled**.

For information on source deductions and income tax, consult the brochure *Non-Profit Organizations and Taxation* (IN-305-V).

If you need further information or additional copies of this publication, contact the office of the Ministère du Revenu in your area. The addresses and telephone numbers of the offices are listed on the last page of the brochure.

1. Any charity or amateur athletics association that is registered within the meaning of the *Income Tax Act* and the *Taxation Act*.
2. A charity that is a school authority, public college, university, hospital authority, or local authority with the status of a municipality.



General information on the GST and the QST

Most property and services are subject to GST and QST. The majority of transactions conducted in Canada are GST-taxable at the rate of 7%. Transactions conducted in Québec are subject not only to GST, but also to 7.5% QST.

In addition, the harmonized sales tax (HST), whose rate is 15%, is in effect in three provinces: New Brunswick, Nova Scotia, and Newfoundland and Labrador. Persons registered for the GST are automatically registered for the HST; they must collect 15% HST on the taxable sales (except zero-rated sales) they make in any of these three provinces.

The federal government refers to the HST as the GST/HST. However, most businesses in Québec that are registered for the GST/HST are not required to collect HST. Therefore, unless stated otherwise, we have used the term GST in this brochure to refer to the GST/HST.

Definitions

Commercial activity

Any business (such as a profit-making or non-profit business or industry), adventure or concern in the nature of trade. Commercial activities also include the sale and rental by a person of immovables (called "real property" for GST purposes) belonging to the person, but do not include exempt sales and rentals.

Exempt sale

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. Accordingly, the person may not claim ITCs or ITRs for expenses related to such sales. However, certain NPOs may claim rebates (50%) of the GST and QST they pay on expenses that do not give entitlement to ITCs or ITRs.

Non-profit organization (NPO)

An organization created and operated solely for non-profit purposes, whose income is not distributed to proprietors, members or shareholders, or made available to them for personal gain. However, its income may be paid to a member that is an association whose primary purpose is the promotion of amateur athletics in Canada.

An individual, succession, trust, charity, public institution, municipality or government is not considered an NPO.

Property

Movable property (called "personal property" for GST purposes), immovables (called "real property" for GST purposes), corporeal movable property (called "tangible personal property" for GST purposes) and incorporeal movable property (called "intangible personal property" for GST purposes). Property includes an interest, rights or shares in a corporation, but does not include money. Corporeal property includes land, buildings, office furniture, computers, cash registers, replacement parts, cleaning products and pens; incorporeal property includes licences, patents, cuttings rights, shares, and copyrights.

Service

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

Supply

The provision of property or a service in any manner whatsoever, including by way of sale, transfer, barter, exchange, licence, lease, gift or disposition. In this brochure, we normally use the term “sale” instead of “supply” because sales account for most supplies.

Taxable sale

The sale of property or a service made in the course of a commercial activity. Such sales are subject to 7% GST and 7.5% QST. A zero-rated sale is also considered a taxable sale since it is taxable at the rate of 0%. GST and QST registrants that sell taxable property or services (excluding zero-rated property or services) are required to collect the taxes. In addition, they may claim a refund of the taxes they pay in respect of expenses related to such sales. The refund takes the form of an ITC for GST purposes and an ITR for QST purposes.

Zero-rated sale

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. However, since such sales are taxable, registrants may claim a refund of the taxes they pay in respect of expenses related to such sales. The refund takes the form of an ITC for GST purposes and an ITR for QST purposes.

Registration

Should you register?

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

As a rule, persons that are registered for the GST and the QST may claim a refund of the taxes they pay 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.

NPOs, on the other hand, may not claim ITCs or ITRs for property and services acquired for exempt activities. Nevertheless, certain NPOs, regardless of whether they are registered, may obtain a rebate (50%) of the GST and QST they pay in respect of property and services that do not give entitlement to ITCs or ITRs. Consult the section "Rebate for qualifying NPOs" on page 20.

For further information, refer to the brochure *Should I Register with the Ministère du Revenu?* (IN-202-V).

Small supplier

You are not required to register for the GST and the QST if you are considered a small supplier: that is, if the total taxable sales you made worldwide in the last four calendar quarters amounted to $50,000 or less (limit applicable to public service bodies). However, if your total taxable sales exceed $50,000 during any one calendar quarter, you cease to be a small supplier. This amount does not include sales of immovables (such as buildings or automobiles), but does include sales made by your associates.

Voluntary registration

Even though you are considered a small supplier, you may decide to register for the GST and the QST if you sell taxable property or services. However, you must then collect the taxes when you make taxable (other than zero-rated) sales.

In addition, you may claim ITCs and ITRs for expenses incurred to make taxable sales.

Branches or divisions

If you have branches or divisions, you may apply to have each one designated as a small-supplier division for the purposes of the rule pertaining to small suppliers. If the application is approved, the branch or division will not be required to collect GST and QST when it makes taxable (other than zero-rated) sales. 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 in the previous four consecutive calendar quarters or in any particular calendar quarter.
- 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 maintained separately 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*.

An unincorporated organization may elect to be considered a branch or division of another unincorporated organization of which it is a member, rather than as 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 may request that your registration for the GST and the QST be cancelled if you determine that you are not required to register. However, if you are a small supplier, you must have been registered for at least one year before you may cancel your registration. The cancellation may take effect at any time during your fiscal year. To request the cancellation of your registration, you must complete form FP-611-V, *Request for Cancellation or Variation of Registration*.

Taxable property and services

The GST and the QST apply to most of the property and services sold by NPOs. Taxable (other than zero-rated) property and services include

- mailing lists;
- physical fitness courses for adults;
- meals sold by restaurants;
- new property sold for more than its direct cost in gift shops (consult the section "Property and services sold at direct cost" on page 12);
- cash registers used in gift shops that sell taxable property.

Zero-rated sales are sales that are taxable at the rate of 0%. Property and services that are usually zero-rated include

- basic groceries (such as milk, bread, vegetables, meat and fish);
- prescription drugs;
- certain medical devices (such as wheelchairs, hearing aids, eyeglasses, canes and crutches).

Exempt property and services

Certain taxable property and services become exempt when they are sold by an NPO under specific conditions.

Admission to a place of amusement

A place of amusement is any place that presents 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 charged to your customers does not exceed $1.

Admission to a performance or an athletic or competitive event

Ticket sales to such performances or events are exempt if 90% or more of the performers, athletes or competitors are not paid directly or indirectly for their participation.

Government and municipal grants, reasonable amounts remitted as prizes, gifts, or allowances for travel or for other incidental expenses are not considered remuneration.

In addition, the performance or event cannot be advertised as featuring paid participants.

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

Example

An NPO organizes a soccer tournament. All of the participants are young people, and they do not receive any remuneration. Gold, silver and bronze medals will be awarded to the three best teams.

Grants have been accorded by the municipalities of the participating teams. Advertising for the event focuses on the participation of young people, and no celebrities are featured.

Admission for spectators is exempt.

Free property and services

Sales of property and services are exempt when all or substantially all of the property or services are provided free of charge.

This rule does not apply to blood or blood derivatives that are zero-rated.

Fund-raising activities

Corporeal movable property sold for fund-raising purposes is exempt if the following conditions are met:

- You are not in the business of selling such property.
- All of the salespersons are volunteers.
- The cost of each item is $5 or less.
- The property is not sold at an event where similar property is sold by persons in the business of selling such property.

However, sales of alcoholic beverages and tobacco products are taxable.

Example

The players of a minor hockey league organization sell chocolate bars door-to-door for $3 apiece in order to raise funds for their activities. The sales are exempt.

Gambling activities

If you organize a bingo or a casino night, you should know that the taking of bets and the sale of bingo cards are exempt.

If you organize a gambling event and charge 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 gambling activities.

Example

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

Property and services sold at direct cost

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. It also includes the components and packaging of a property, when the latter is manufactured by an organization. It does not, however, include the QST rebates that may be claimed by an organization not registered for the GST and the QST. Nor does it include employee salaries or administrative or overhead expenses, incurred to supply such property or services.

If you wish to recover only the direct cost of a property or service, you may elect to make the sale exempt, provided

- the price of the property or service does not exceed its direct cost and you do not charge GST and QST;
- the price of the property or service is less than its direct cost (excluding taxes) and you charge the taxes separately. It should be noted, however, that in this case the taxes would be collected in error.

In all other cases, such sales would be taxable.

Example

You buy sweaters bearing your logo for $17.38 apiece, plus $1.22 GST and $1.40 QST. The direct cost of each sweater is thus $20.

- You sell the sweaters for $20 apiece and do not collect GST and QST. The sale is exempt because the price of each sweater does not exceed its direct cost.
- You sell the sweaters for $17.38 apiece and collect $1.22 GST and $1.40 QST. The sale is taxable because the price of each sweater is not less than its direct cost (excluding taxes) and you charge the taxes separately.

Memberships

Memberships in an NPO are exempt if each member receives only the following benefits:

- an indirect benefit available to all members collectively;
- the right to receive services in the nature of investigating, conciliating or settling complaints or disputes involving members;
- the right to vote at or participate in meetings;
- the right to receive or acquire property or services for an additional fee equal to their fair market value, or the highest price that can be obtained in an open market where the buyer and seller are willing, well-informed and independent of one another;
- the right to receive a discount for property or services sold by the organization if the value of the discount is insignificant (less than 30%) in relation to the membership fee;
- the right to receive periodic newsletters, reports or other publications if their value is insignificant in relation to the membership fee or they provide information solely on the organization's activities or financial status (except if their value is significant in relation to the membership fee and the NPO ordinarily charges a fee to non-members).

Memberships in a club are taxable if the main purpose of the club is to provide dining, recreational or sporting facilities to its members. For example, membership in a golf club is taxable.

Example

A $100 membership fee provides members with a $5 discount for 10 admissions to the theatre, or a total discount of $50. The membership fee would be taxable since the value of the discount granted to members is significant (30% or more) in relation to the value of the fee.

Even if your membership fees are exempt, you may elect to have them treated as taxable. This election allows you to claim ITCs and ITRs with respect to any expenses related to the memberships. If your members are registered for the GST and the QST and are using their memberships for their commercial activities, they too may claim ITCs and ITRs in respect of the taxes they pay on their membership fees. To elect to have your memberships treated as taxable, you must complete form FP-623-V, *Election by a Public Sector Body to Have Exempt Memberships Treated as Taxable Supplies.*

Memberships in a professional organization

Memberships in a professional organization are exempt provided the members are required by law to be members in order to maintain their professional status.

Example

Memberships in certain professional orders are exempt.

However, you may elect to have your memberships treated as taxable. For this purpose, you must complete form FP-2018-V, *Election to Tax Memberships in a Professional Organization.*

Memberships in a registered party

Memberships in a registered party are always exempt, and you **may not elect** to make them taxable.

Public libraries

The supply of rights conferring borrowing privileges at public lending libraries is exempt.

Recreational programs

If you offer recreational programs intended primarily for children aged 14 or under, the fees for such programs 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 when such programs include board, lodging or recreational services at recreational camps.

A recreational program may include the following activities: athletics, outdoor recreation, music, dance, crafts, arts or hobbies.

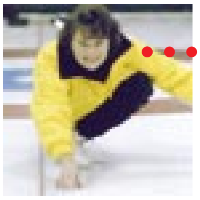
Meals and lodging

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

Example

Meals provided by an NPO at a "soup kitchen" are exempt.

Food or beverages provided to seniors, underprivileged individuals or individuals with a disability under programs designed to offer prepared meals in an individual's home, such as meals-on-wheels programs, are exempt. Food and beverages sold to an NPO under such programs are also exempt.



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. Nor do they 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 can range from a simple contribution to an NPO to sums provided for major government-funded projects. The GST and the QST do not usually apply to such payments **if the grantor does not receive any property or services in return**.

Sponsorships

If you receive a sponsorship from a business in exchange for promotional services or the right to use your logo, the sums you receive are not subject to GST and QST. However, the promotional services must not primarily involve advertising on television or radio, or in a newspaper, magazine or other periodical.

Example

The players on your curling team wear uniforms that display the name of a business that sponsors them. The sums paid to you by the business are not subject to GST and QST.

ITCs and ITRs

If you are a GST and QST registrant, you may recover the taxes paid in respect of property and services purchased for use in your commercial activities. This is done by claiming ITCs under the GST system and ITRs under the QST system.

The following property and services may give entitlement to ITCs and ITRs:

- property purchased for resale;
- property purchased to manufacture other property intended for sale;
- capital property such as office furniture, vehicles or immovables used primarily (in a proportion of over 50%) in your commercial activities;
- stationery, advertising, telephone service and the rental of photocopy machines.

You may not claim ITCs and ITRs in respect of property and services purchased for use in your exempt activities. However, some NPOs may obtain a rebate (50%) of the GST and QST they pay on such purchases. Consult the section "Rebate for qualifying NPOs" on page 20.

General operating expenses

General operating expenses are expenses that you incur in the day-to-day operation of your business. They include expenses relating to the management, administration, and other support functions of the business, as well as expenses incurred for the rental of office space and equipment and the purchase of pens and stationery.

To calculate the ITCs and ITRs to which you are entitled, you must determine the proportion in which the property or services for which you have paid GST and QST are used in your commercial activities. If the percentage of commercial use is 10% or less, you cannot claim an ITC or an ITR. If it is more than 10% but less than 90%, you may claim an ITC or an ITR based on this percentage. If the percentage of commercial use is 90% or more, you may claim an ITC and an ITR equal to the full amount of GST and QST you paid.

Commercial use	ITC and ITR
10% or less	None
More than 10% but less than 90%	Amount of taxes paid x %
90% or more	Amount of taxes paid

If an expense cannot be attributed solely to your taxable activities or your exempt activities, you must apportion it between the two. For this purpose, you must choose a fair and reasonable method and use it consistently for at least the duration of the fiscal year. Methods based on the allocation of space, time, cost or revenue may be used under certain conditions.

Example

You use the ground floor of a building you own to operate a retail store (commercial activity) and the second floor to carry on an exempt activity. Your electricity bill for the entire building is $200 a month, plus $14 GST and $16.05 QST. You determine that 60% of the electricity is used for the retail store and 40% for your exempt activity on the second floor.

You may claim an ITC of $8.40 ($14 x 60%) and an ITR of $9.63 ($16.05 x 60%) for the portion of the building used in your commercial activities.

Capital property

Capital property is depreciable property in respect of which capital cost allowance may be claimed. It also includes non-depreciable property for which any gain or loss (particularly 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 in respect of capital property. If such property is used in a proportion of over 50% in your commercial activities, you may claim an ITC and an ITR equal to the full amount of GST and QST paid. However, if the percentage of commercial use is 50% or less, you are not entitled to an ITC or an ITR.

Commercial use	ITC and ITR
50% or less	None
More than 50%	Amount of taxes paid

Example

You buy office furniture for $2,000, plus $140 GST and $160.50 QST. You will use the furniture in a proportion of 60% in your commercial activities and 40% in your exempt activities.

Since the furniture's percentage of commercial use is higher than 50%, you may claim an ITC of $140 and an ITR of $160.50.

You may make an election to have certain exempt sales of immovables treated as taxable sales. To find out what ITCs and ITRs you can claim, consult the section "Special election for immovables" on page 29.

Change in use

Your use of capital property may change over the years. You will be required to recover or pay GST and QST for certain changes in use.

Capital property that you used in a proportion of over 50% in your exempt activities is now used in a proportion of over 50% in your commercial activities.

You may claim ITCs and ITRs to recover all or part of the GST and QST you paid.

The ITC or ITR you may claim for such property is equal to the amount of GST or QST that you paid on the property and any improvements thereto. However, you must deduct any amounts (other than ITCs or ITRs) that you were entitled to recover by rebate, remission or otherwise. You must also take into account any depreciation in the value of the property.[1]

Capital property that you used in a proportion of over 50% in your commercial activities is now used in a proportion of over 50% in your exempt activities.

You must remit all or part of the ITCs and ITRs you claimed.

The GST or QST that you must remit for such property is equal to the GST or QST that you paid on the property and any improvements thereto. However, you must deduct any amounts (other than ITCs or ITRs) that you were entitled to recover by rebate, remission or otherwise if the property was acquired for your exempt activities. You must also take into account any depreciation in the value of the property.[1]

Example

In 2001, you bought office furniture that was to be used in a proportion of 60% in your exempt activities. You paid $1,000 for the furniture, plus $70 GST and $80.25 QST. You claimed a rebate of 50% of the taxes you paid: that is, a GST rebate of $35 and a QST rebate of $40.13.

In 2002, you began to use the furniture in a proportion of 60% in your commercial activities. The fair market value of the furniture was $800 at the time of the change in use.

The ITC and the ITR to which you are entitled are as follows:

ITC = ($70 - $35) x $800 / $1,000 = $28

ITR = ($80.25 - $40.13) x $800 / $1,000 = $32.10

1. In the *Excise Tax Act* and the *Act respecting the Québec sales tax*, reference is made to the basic tax content.

Simplified method for calculating ITCs and ITRs

This method is an alternative way of calculating ITCs and ITRs. When you use it, you do not have to calculate the exact amount of tax applicable to each invoice, but need only take into account the amount of your taxable purchases (including GST and QST) for which you may claim ITCs and ITRs.

The simplified method may be used only for property and services acquired to make taxable sales. Property that is used to make both taxable and exempt sales gives entitlement to ITCs and ITRs only in respect of the portion acquired for your commercial activities.

You may use the simplified method if you meet the following conditions:

- You are a GST and QST registrant.
- Your taxable (other than zero-rated) purchases for the previous fiscal year did not exceed $2 million and are not expected to exceed that amount for the current fiscal year.
- Your taxable sales for the previous fiscal year did not exceed $500,000 and are not expected to exceed that amount for all quarters ended in the current fiscal year.

For more information on the simplified method for calculating ITCs and ITRs, consult the brochure *General Information Concerning the QST and the GST/HST: Guide for Registrants* (IN-203-V).

Rebate for qualifying NPOs

Certain NPOs may claim a rebate of 50% of the GST and QST that they paid on eligible purchases for which they cannot claim ITCs or ITRs.

Qualifying NPO

To qualify for the rebate, an NPO must receive at least 40% of its revenue for the current fiscal year or the previous two fiscal years from government funding. For example, in order to claim the rebate for your fiscal year ending in 2002, you must determine the percentage of government funding you received for that fiscal year and the total percentage received for the fiscal years ended in 2000 and 2001. The percentage of government funding must be at least 40% for one of these periods.

Government funding means funds received to help you attain your objectives, as well as funds received to allow you to make exempt sales of property or services to a third party. The sums may be paid to you directly or through another organization, and must be shown in your financial statements as government funding. If they are paid to you through another organization, the latter must certify that they constitute government funding. For this purpose, the organization must complete form FP-322-V, *Certificate of Government Funding*.

The funds must be received from one of the following:

- the federal government, a provincial government or a municipal administration;
- an Indian band;
- a trust, board, commission or other body established by a government or an administration, one of the main purposes of which is to fund non-profit endeavours.

You must demonstrate that you qualify for the rebate for the fiscal year in which you claim it. For this purpose, you must complete form FP-523-V, *Non-Profit Organizations – Government Funding,* and enclose it with your rebate application.

NPOs **do not have to be registered for the GST or the QST** in order to claim the rebate.

Eligible expenses

Most of the expenses you incur give entitlement to the rebate, provided you may not claim ITCs or ITRs in their regard. Certain expenses, however, do not give entitlement to the rebate.

Expenses for which you may claim the rebate include

- general operating expenses such as rent, utilities and administration expenses for which you may not claim ITCs or ITRs;
- eligible allowances and reimbursements that you pay to employees;
- property and services purchased for use, consumption or supply in the course of your exempt activities;
- capital property that you intended to use primarily (in a proportion of over 50%) in your exempt activities at the time you purchased the property.

Expenses for which you may not claim the rebate include

- club memberships if the main purpose of the club is to provide its members with recreational, dining or sporting facilities;
- alcoholic beverages that you buy for sale without a meal when no taxes are payable on the resale of such beverages;
- property or services that you buy to provide long-term residential accommodation, unless more than 10% of the accommodation is restricted to seniors, youths, students, the underprivileged, individuals with a disability, or individuals with limited financial resources who qualify under a means or income test;
- property or services purchased primarily for the supply of 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 individuals with limited financial resources who qualify under a means or income test.

If you are not registered for the GST and the QST, most of your expenses are eligible for the rebate. Since you cannot claim ITCs or ITRs, the expenses you incur for both your taxable and exempt sales give entitlement to the rebate.

Expenses related to activities of a municipal nature do not give entitlement to the QST rebate

The QST system provides for additional restrictions with regard to the QST rebate for NPOs.

Property and services acquired to carry out exempt activities of a **municipal nature** do not give entitlement to the QST rebate.

Such exempt activities include

- a service that consists in installing, repairing or maintaining a water distribution, sewer or drainage system;
- a service that consists in maintaining or repairing roads, streets or sidewalks;
- a snow removal service;
- a garbage collection service;
- a recreational program intended primarily for children aged 14 or under, 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.

How to apply for the rebate

You have up to four years to apply for the rebate. When you file an application for the first time, you have to complete form FP-66-V, *GST/HST Rebate Application for Public Service Bodies* for the purposes of the GST, and form VD-387-V, *QST Rebate Application for Public Service Bodies,* for QST purposes. After we process your application, we will send you a personalized version of these forms (FPZ-66-V, VDZ-387-V) for your next rebate application. Once every fiscal year, you have to enclose a copy of form FP-523-V with your application to confirm what percentage of your revenue is derived from government funding. To be able to justify this percentage, you must wait until the end of your first fiscal year before you file your first rebate application.

If you are not registered for the GST and the QST, you may submit one application for the first six months of your fiscal year, and another for the last six months. If you are registered, you may apply for the rebate when you file your return.

If your organization has several branches or divisions, you may apply for authorization to have them file separate rebate applications. Each branch or division must be separately identified by its location or the nature of its activities, and separate records, books of account and accounting systems must be maintained for it. To apply for authorization, you must complete form FP-2010-V, *Application to File Separate Returns – Request to File Separate Rebate Applications – Revocation of Application or Request.* If you elect to have your branches or divisions recognized separately for the purposes of the rule pertaining to small suppliers (consult the section "Branches or divisions" on page 9), they must file their own rebate applications.

Simplified method for calulating the rebate

A simplified method has been developed to allow you to calculate your rebate more easily. When you use this method, you do not have to keep track of the GST and QST indicated on each invoice. You must, however, determine the total amount of purchases on which you paid GST and QST.

You may use the simplified method if you meet the following conditions:

- Your taxable (other than zero-rated) purchases for the previous fiscal year did not exceed $2 million and are not expected to exceed that amount for the current fiscal year.
- Your taxable sales for the previous fiscal year did not exceed $500,000 and are not expected to exceed that amount for all quarters ended in the current fiscal year.

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

To calculate your GST and QST rebates, follow the steps described below:

- **Calculate your total purchases (other than immovables)**

  Add up your taxable purchases for which you paid GST and QST.

  In calculating this total, **include** the purchase price, GST and QST, interest and penalties paid to your suppliers for late payments, reasonable tips and import duties. Also include purchases made by your employees or volunteers on your behalf.

  Do not include purchases for which you may claim an ITC or an ITR, expenses on which you did not pay GST or QST, purchases from non-registrants, the portion of meal and entertainment expenses that does not give entitlement to an ITC or an ITR, and purchases of immovables.

  If you are a registrant, apportion your purchases between your commercial activities and your exempt activities.

  Note that for the purpose of calculating the GST rebate, total purchases exclude the refundable portion of QST.

- **Calculate the taxes on your purchases (other than immovables)**

  Multiply your total purchases by 7/107 for GST purposes and by 7.5/107.5 for QST purposes.

- **Calculate the total taxes on your purchases (immovables and other purchases)**

  Add to the taxes on your purchases (except taxes paid for the purchase of immovables) the GST and QST paid on purchases of immovables for which you may not claim ITCs or ITRs.

- **Calculate your rebate**

  Multiply the total taxes on your purchases (immovables and other purchases) by 50%.

GST rebate for printed books

You may qualify for the 100% rebate of GST (or the federal part of HST) paid on printed books, audio recordings of printed books, and printed versions of religious scriptures if you meet the following conditions:

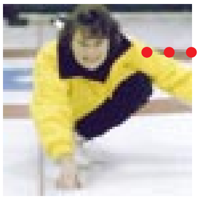
- You are a qualifying NPO (see the definition in the section "Rebate for qualifying NPOs" on page 20).
- You operate a public lending library or your main purpose is to promote literacy.
- The printed books, audio recordings of printed books, and printed versions of religious scriptures are not bought for resale.

NPOs whose main purpose is to promote literacy must contact the Canada Customs and Revenue Agency in order to be recognized in this capacity by regulation and be entitled to claim the GST rebate.

The application must be submitted on form FP-66-V or FPZ-66-V, *GST/HST Rebate Application for Public Service Bodies*.

For more information, consult the memorandum *Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures* (13.4) available on the Canada Customs and Revenue Agency Web site at **www.ccra-adrc.gc.ca**.

Note that this measure **does not apply** under the QST system. The sale of printed books identified by an International Standard Book Number (ISBN) is zero-rated for the purposes of the QST.



Simplified accounting methods

This section is intended solely for NPOs that are **registered** for the GST and the QST. As registrants, they must keep track of the taxes they pay on their purchases and the taxes they collect on their sales. Simplified calculation methods have been developed to facilitate this task. Qualifying NPOs can use the Special Quick Method of Accounting reserved for public service bodies, while other NPOs can use the Quick Method.

Special Quick Method for qualifying NPOs

Owing to the special nature of their activities, **qualifying NPOs** (see the definition in the section "Rebate for qualifying NPOs" on page 20) may use the Special Quick Method of Accounting reserved for public service bodies to calculate the amount of GST and QST they have to remit.

When you use the Special Quick Method, you collect GST and QST in the usual way on all taxable sales, but remit only a reduced percentage. You may not claim ITCs or ITRs on most of your purchases and expenses since you keep part of the taxes you collect on your sales. However, you may claim a rebate in the usual manner. See the section "Rebate for qualifying NPOs" on page 20.

To calculate the amount of taxes to be remitted, follow the steps described below:

- **Calculate your taxable sales**

  Add up your taxable sales (including GST collected under the GST system, and GST and QST collected under the QST system) for each reporting period.

  Do not include sales of immovables and capital property, supplies of financial services, zero-rated sales, sales made outside Canada for GST purposes and outside Québec for QST purposes, and sales made to purchasers who are not required to pay tax (such as Indians or a government).

- **Calculate the taxes on your taxable sales**

  Multiply your total sales by 5% for GST purposes and by 5.9% for QST purposes.

- **Calculate the taxes on your other taxable sales**

  Add to the previous amount the GST collected on sales not included in calculating your taxable sales (for example, on sales of immovables and certain capital property) and the tax you have to remit in respect of a change in use of capital property. Repeat this step for the QST.

- **Calculate the taxes you have to remit**

  Subtract from the amount of GST collected the ITCs that you may claim; for example, on purchases of and improvements to immovables and certain capital property. Subtract from the amount of QST collected the ITRs that you may claim in regard to such property.

To elect to use the Special Quick Method of Accounting, qualifying NPOs must complete and file form FP-2287-V, *Special Quick Method of Accounting – Simplified Net Tax Calculation Method.*

Quick method for other NPOs

If you **are not** a qualifying NPO (see the definition in the section "Rebate for qualifying NPOs" on page 20), you may not use the Special Quick Method of Accounting. However, you may be entitled to use the Quick Method of Accounting available to businesses.

To use the Quick Method, your total annual taxable sales worldwide must not exceed:

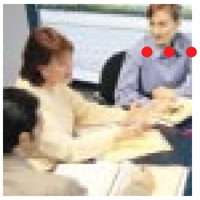
- $200,000 (GST included), under the GST system;
- $215,000 (GST and QST included), under the QST system.

This total includes zero-rated sales and sales made by associates.

When you use the Quick Method, you collect GST and QST on your taxable sales in the usual manner. However, you use reduced rates to calculate the amount of tax you have to remit. Depending on the type of activities your business is engaged in, you must multiply your total taxable (other than zero-rated) sales in Canada by 2.5% or 5% for GST purposes, and your total taxable (other than zero-rated) sales in Québec by 2.7% or 5.3% for QST purposes. However, you may not claim ITCs or ITRs in respect of most of your purchases and expenses since you keep part of the taxes you collect on your sales.

To use the Quick Method, you must complete form FP-2074-V, *Election Respecting the Quick Method of Accounting for Small Businesses*, and file it with the Ministère du Revenu.

For more information, consult the brochure *General Information Concerning the QST and the GST/HST: Guide for Registrants* (IN-203-V).



Immovables

This section discusses the various rules applicable to immovables, such as land and buildings.

Taxable sales and rentals of immovables

Most sales and leases of immovables by NPOs are exempt. In some cases, however, they are taxable. Taxable sales and leases of immovables include

- sales of new houses;
- sales of vacant land to an individual;
- sales of immovables that an NPO uses primarily (in a proportion of over 50%) in its commercial activities;
- leases of short-term accommodation for less than one month, unless such accommodation is provided to relieve the poverty, suffering or distress of individuals, or it is rented for $20 or less per day of occupancy;
- leases of immovables (other than short-term accommodation) made in the course of your business activities, when the continuous use of the immovables is for a period of less than one month.

ITCs and ITRs for immovables

To claim ITCs and ITRs in respect of immovables, you must observe certain rules. If an immovable's percentage of use in your commercial activities is over 50%, you may claim an ITC and an ITR equal to the full amount of GST and QST you paid. If the percentage of use is 50% or less, you may not claim an ITC or an ITR.

Commercial use	ITC and ITR
50% or less	None
More than 50%	Amount of taxes paid

The use of an immovable may change over the years. If an immovable that was used in a proportion of over 50% in your exempt activities is now used primarily in your commercial activities, you may claim ITCs and ITRs. On the other hand, if an immovable that was used in a proportion of over 50% in your commercial activities is now used primarily in your exempt activities, you may have to remit the ITCs or ITRs you claimed earlier. For information on the rules that apply in such situations, consult the section "Change in use" on page 18.

Subsidized residential complexes

The following rules apply to NPOs that receive government funding to build a residential complex where they intend to lease at least 10% of the residential units to seniors, youths, students, individuals with a disability, or individuals with limited financial resources.

In this case, government funding means an amount of money designed to help you build the residential complex, or a forgivable loan that is granted by a government (federal or provincial), a municipal administration, an Indian band, or a body established by a government or an administration to fund charitable and non-profit endeavours on its behalf.

During the construction of the residential complex, you may register for the GST and the QST, and may thus claim ITCs and ITRs for the property and services you buy.

When the construction is substantially completed, and you lease the first residential unit 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 or QST calculated on the fair market value of the residential complex, or the highest price that can be obtained in an open market where the buyer and seller are willing, well-informed and independent of one another; or
- the GST and QST paid on the acquisition of the land, on the construction of the building and on any improvements to the property.

Example

A non-profit organization registers for the GST and the QST in order to build a multiple-unit residential complex for seniors. It receives government funding for the building's construction. The organization paid $12,000 GST and $13,757 QST on the purchase of the land, and $47,600 GST and $54,570 QST on the construction of the building. It claimed ITCs and ITRs to recover the taxes. The building's fair market value is less than the cost of the land and the construction.

When the NPO first leases a unit in the complex to an individual as a place of residence, it must remit GST and QST equal to the amount of taxes it paid on the purchase of the land and the construction of the building. In other words, it must remit $59,600 ($12,000 + $47,600) GST and $68,327 ($13,757 + $54,570) QST.

Special election for immovables

Most sales and leases of immovables by NPOs are exempt. Even if you are a registrant, you may not claim ITCs and ITRs to recover the taxes you paid on the acquisition of immovables used primarily in the course of your exempt activities, or on any improvements to such immovables. Consult the section "Capital property" on page 17.

However, you may elect to have exempt sales and leases of immovables treated as taxable. This election allows you to claim, in accordance with the rules for general operating expenses (consult these rules on page 16), ITCs and ITRs in respect of the GST and QST you paid on an immovable, based on the latter's percentage of commercial use. For example, an immovable that is used in a proportion of over 10% in your commercial activities gives entitlement to ITCs and ITRs in respect of the GST and QST paid on the acquisition of the immovable, on any improvements thereto and on expenses related to it, based on the immovable's percentage of commercial use. The rule pertaining to primary use (50% rule) that an NPO generally follows in claiming ITCs and ITRs for immovables does not apply in such cases.

You may elect to have exempt sales and leases of immovables treated as taxable under the following conditions:

- 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 land and the buildings located on it.

To make this election, you must complete form FP-2626-V, *Election or Revocation of the Election by a Public Service Body to Have an Exempt Supply of Real Property (an Immovable) Treated as a Taxable Supply*.

Forms and publications

The documents referred to in this chapter are available at all offices of the Ministère and on our Web site at **www.revenu.gouv.qc.ca**.

Main forms and guides

If you are a registrant, you must, where applicable, complete the following forms for each reporting period.

FORM/GUIDE	GST	QST	GST–QST
GST/HST Rebate Application for Public Service Bodies	FP-66-V or FPZ-66-V	VD-387-V or VDZ-387-V	
Guide to the GST/HST Rebate Application for Public Service Bodies	FP-66.G-V		
Public Service Bodies: Detailed Calculations		VDZ-387.G-V	
Non-Profit Organizations – Government Funding	FP-523-V		
GST/HST Return	FPZ-34-V	VDZ-471-V	FPZ-500-V or FPZ-500.AR-V

If you are not a registrant, you must complete the following forms to claim a refund.

FORM/GUIDE	GST	QST	GST–QST
GST/HST Rebate Application for Public Service Bodies	FP-66-V or FPZ-66-V	VD-387-V or VDZ-387-V	
Guide to the GST/HST Rebate Application for Public Service Bodies	FP-66.G-V		
Public Service Bodies: Detailed Calculations		VDZ-387.G-V	
Non-Profit Organizations – Government Funding	FP-523-V		

Other forms and guides

FORM/GUIDE	GST	GST–QST
Certificate of Government Funding	FP-322-V	
Special-Purpose Return		FP-505-V
Request for Cancellation or Variation of Registration		FP-611-V
Election by a Public Sector Body to Have Exempt Memberships Treated as Taxable Supplies		FP-623-V
Application by a Public Service Body to Have Branches or Divisions Designated as Small-Supplier Divisions		FP-631-V
Application by an Unincorporated Organization to Be Considered a Branch of Another Unincorporated Organization		FP-632-V
Notice to Revoke the Election Respecting the Quick Method of Accounting		FP-675-V
Application to File Separate Returns – Request to File Separate Rebate Applications – Revocation of Application or Request		FP-2010-V
Election to Tax Memberships in a Professional Organization		FP-2018-V
Election Respecting the Quick Method of Accounting for Small Businesses		FP-2074-V
Special Quick Method of Accounting – Simplified Net Tax Calculation Method		FP-2287-V
Election or Revocation of the Election by a Public Service Body to Have an Exempt Supply of Real Property (an Immovable) Treated as a Taxable Supply		FP-2626-V
Guide to Registration: Instructions and Application Form		LM-1.G-V

Publications

Directors' Liabilities	IN-107-V
Should I Register with the Ministère du Revenu?	IN-202-V
General Information Concerning the QST and the GST/HST: Guide for Registrants	IN-203-V
Non-Profit Organizations and Taxation	IN-305-V