



GST/HST Information for Municipalities

Is this guide for you?

This guide explains how the goods and services tax/harmonized sales tax (GST/HST) applies to municipalities. It contains an overview of the GST/HST, as well as more detailed information about GST/HST issues that are specific to municipalities.

For basic information on charging, collecting, and remitting GST/HST, see Guide RC4022, *General Information for GST/HST Registrants*.

Financial institutions

This guide does **not** include information on the special rules for financial institutions. If you are a financial institution, see Guide RC4022, *General Information for GST/HST Registrants*. If you are a selected listed financial institution, see Guide RC4050, *GST/HST Information for Selected Listed Financial Institutions*.

GST/HST and Quebec

In Quebec, Revenu Québec generally administers the GST/HST. If the physical location of your business is in Quebec, you have to file your returns with Revenu Québec using its forms, unless you are a person that is a selected listed financial institution (SLFI) for GST/HST or QST purposes or both. For more information, see the Revenu Québec publication IN-203-V, *General Information Concerning the QST and the GST/HST*, available at www.revenuquebec.ca, or call 1-800-567-4692. If you are an SLFI, go to www.cra.gc.ca/slfi.

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This guide uses plain language to explain the most common tax situations. It is provided for information only and does not replace the law.

La version française de ce guide est intitulée *Renseignements sur la TPS/TVH pour les municipalités*.

What's new?

We list the major changes below. This guide contains information based on amendments to the *Excise Tax Act* and *Regulations*. At the time of publication, some of these amendments were proposed and not law. The publication of this guide should not be taken as a statement by the Canada Revenue Agency that these amendments will in fact become law in their current form. If they become law as proposed, they will be effective as of the dates indicated. For more information on these and other changes, see the areas outlined in colour in this guide.

GST/HST public service bodies' rebate

Under proposed changes, if you are a municipality resident in Newfoundland and Labrador, the rebate rate for the provincial part of the HST paid or payable on eligible purchases and expenses is 25% for tax payable in 2016, and 57.14% for tax payable on or after January 1, 2017. This proposed rebate will be paid only after required legislative changes to the *Excise Tax Act* and its *Regulations* are enacted.

Online services for businesses

You can now:

- authorize the CRA to withdraw an amount from your bank account on the date(s) that you choose; and
- enrol for direct deposit, or update your banking information.

To access our online services, go to:

- www.cra.gc.ca/mybusinessaccount, if you are a business owner; or
- www.cra.gc.ca/representatives, if you are an authorized representative or employee.

Online services for representatives

Representatives can now register for online mail on behalf of their business clients by going to www.cra.gc.ca/representatives.

Table of Contents

	Page		Page
Definitions	6	Unbottled water	16
GST/HST and municipalities	7	Municipal transit services	16
What is the GST/HST?	7	Other exempt municipal services.....	17
Who pays the GST/HST?	8	Inter-municipal and intra-municipal supplies	17
Who charges the GST/HST?	8	Ferry, road, and bridge tolls	17
How does the GST/HST work?	8	Admission to a place of amusement.....	17
Who qualifies as a municipality?	9	Amateur performances and events.....	17
Organizations that we may determine to be		Recreational programs	18
municipalities	9	Relief of poverty, suffering, or distress	18
Para-municipal organizations	9	Homemaker services	18
Special-purpose provincially or territorially		Fundraising by a public institution	18
established authorities.....	10	Harmonized sales tax	18
Unincorporated municipal government units	10	Tax on property and services brought into a	
Volunteer fire organizations.....	10	participating province.....	18
Indian bands, tribal councils, or band-owned		Imported services and intangible personal property	19
corporations	10	Input tax credits	18
Organizations that we may designate to be		Simplified method for claiming ITCs	20
municipalities	10	GST/HST public service bodies' rebate	20
Residential Services	10	Apportionment of rebates	21
Unbottled water	11	Eligible purchases and expenses	21
Rent-geared-to-income housing.....	11	Non-eligible purchases and expenses	22
Municipal transit services.....	11	General operating expenses.....	22
Water distribution, sewerage, or drainage systems ...	12	How to apply for the PSB rebate.....	23
Indian bands, tribal councils, or band-owned		Registrant municipalities.....	23
corporations	12	Non-registrant municipalities.....	23
How to cancel your municipal determination or		Other rebates available	23
designation	12	Property or services removed from a participating	
Changes to determined or designated municipalities ...	12	province	23
Taxable and exempt supplies	12	Tangible personal property.....	23
Taxable supplies (other than zero-rated).....	12	Intangible personal property and services.....	24
Zero-rated supplies	13	Purchases of printed books.....	24
Exempt supplies.....	13	Provincial point-of-sale rebates.....	25
Should you register?	13	How to account for point-of-sale rebates	25
Small supplier	13	Rebate for sales of capital personal property by a	
How to register	14	non-registrant municipality	25
Bodies created by a municipality.....	14	Special quick method of accounting	26
Incorporated municipalities	14	How to elect to use the special quick method	26
Unincorporated municipalities	14	Capital property	26
Exemptions for municipalities	15	Claiming ITCs on capital property	27
Library services.....	15	Supplies of capital personal property	27
Registration and licences	15	Supplies of real property.....	27
Property registration	15	Sales.....	27
Court registration.....	15	Leases.....	27
Licences	15	Change-in-use – Capital real property	28
Other exempt supplies	15	Self-supply rules for builders of social housing.....	29
Law enforcement and fire protection services.....	15	Self-supply in British Columbia, Ontario, or	
Residential services	16	Prince Edward Island.....	29
Garbage collection, including the collection and		Expropriation.....	28
delivery of recyclable materials	16	Seizures and repossessions	29
Municipal water distribution, sewerage, or drainage		Redemption of property.....	30
systems	16		

	Page		Page
Special issues	30	Cost-sharing arrangements.....	31
Amalgamation of municipalities	30	Non-taxable reimbursements	31
Is new registration required?	30	Municipal officers' allowance.....	31
Updating elections	30	Grants and subsidies.....	32
History of predecessor municipalities	30	Online services	33
Transferring of assets and property to the newly amalgamated municipality	30	For more information	34
Municipal designation or determination.....	31		

Definitions

Basic tax content – of a property generally means the amount of the GST/HST that was payable for your last acquisition of the property, and for any improvements you made to the property since that last acquisition, less any amounts that you were, or would have been entitled to recover (for example, by rebates or remissions, but not by input tax credits). The calculation for the basic tax content also takes into account any depreciation in the value of the property since you last acquired it (for example, when you purchased it or were last considered to have purchased it).

You may have to calculate the basic tax content of a property if you are a registrant and you increase or decrease your use of the property in your commercial activities. For more information, see “Calculating the basic tax content” in Guide RC4022, *General Information for GST/HST Registrants*.

Capital personal property – includes depreciable property that is eligible or would be eligible for capital cost allowance for income tax purposes. It also includes any personal property, except depreciable property, the sale of which would result in a capital gain or loss for income tax purposes. For GST/HST purposes, capital personal property does not include property in Classes 12, 14, or 44 of Schedule II to the *Income Tax Regulations*.

Charity – means a registered charity or registered Canadian amateur athletic association for income tax purposes, but does not include a public institution. A charity can issue official donation receipts for income tax purposes.

Commercial activity – means any business or adventure or concern in the nature of trade carried on by a person, but **does not include**:

- the making of exempt supplies; or
- any business or adventure or concern in the nature of trade carried on without a reasonable expectation of profit by an individual, a personal trust, or a partnership where all the members are individuals.

Commercial activity also includes a supply of real property, other than an exempt supply, made by any person, whether or not there is a reasonable expectation of profit, and anything done in the course of making the supply or in connection with the making of the supply.

Consideration – includes any amount that is payable for a supply by operation of law.

Designated municipal property – means property of a person who is, at any time, designated to be a municipality for purposes of claiming the municipal rebate. Generally, it is property, or an improvement to it, that the designated municipality intended to consume, use, or supply more than 10% in the course of activities specified in its designation, and an amount for the property or improvement to it has been included in the calculation of non-creditable tax charged. Once property qualifies as designated municipal property, it is treated as such for as long as it is held by the designated municipality.

Designated municipality – refers to a person designated by the Minister of National Revenue to be a municipality, but only in respect of activities, specified in the designation that involve the making of supplies (other than taxable supplies) by the person of municipal services.

Election – is a way for businesses and organizations to choose various options that may make it easier to comply with the GST/HST. Each election has its own eligibility criteria.

Exempt supplies – are supplies of property and services that are not subject to the GST/HST. GST/HST registrants cannot claim input tax credits to recover the GST/HST paid or payable on expenses related to making exempt supplies.

Government – refers to the federal, provincial, or territorial levels of government.

House and housing – are used throughout this guide to include a single-family detached house, a semi-detached house, a duplex, a townhouse, a residential condominium unit, units in a co-operative housing corporation, apartments, and additions to apartment buildings, but they do not include a mobile home or a floating home. Unless otherwise noted, these terms generally include the land upon which the house is situated.

Input tax credit (ITC) – means a credit that GST/HST registrants can claim to recover the GST/HST paid or payable for property or services they acquired, imported into Canada, or brought into a participating province for use, consumption, or supply in the course of their commercial activities.

Lease – is used throughout this guide to include a lease or a licence, or an arrangement that is similar to a lease or a licence.

Municipality – means an incorporated city, town, village, metropolitan authority, township, district, county or rural municipality or other incorporated municipal body however designated, and such other local authority that the Minister of National Revenue may determine to be a municipality.

Note

For the purposes of the public service bodies' rebate, a municipality includes a designated municipality.

Municipal rebate – is a public service bodies' rebate available for municipalities at a rate of 100% of the GST and the federal part of the HST. Municipalities in British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, and Ontario are also entitled to a municipal rebate for a percentage of the provincial part of the HST.

Newly constructed or substantially renovated house – is used throughout this guide to include a house (or housing) that is newly built, has been substantially renovated, has undergone a major addition with the renovation of the existing house, or has been converted from non-residential use to use as a place of residence for individuals.

Non-creditable tax charged – generally means the GST/HST paid or payable on purchases and expenses for which you cannot claim ITCs, a rebate, a refund or remission under another provision of the *Excise Tax Act* or under any other Act of Parliament.

Non-profit organization (NPO) – means a person (other than an individual, estate, trust, charity, public institution, municipality, or government) that meets the following conditions:

- It is organized and operated solely for non-profit purposes.
- It does not distribute or make available any of its income for the personal benefit of any proprietor, member, or shareholder, unless the proprietor, member, or shareholder is a club, a society, or an association that has, as its primary purpose and function, the promotion of amateur athletics in Canada.

Participating province – means a province that has harmonized its provincial sales tax with the GST to implement the harmonized sales tax (HST). Participating provinces include New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island, but do not include the Nova Scotia offshore area or the Newfoundland offshore area except to the extent that offshore activities, as defined in subsection 123(1) of the *Excise Tax Act*, are carried on in that area.

Note

British Columbia was a participating province from July 1, 2010 until March 31, 2013.

Person – means an individual, a partnership, a corporation, the estate of a deceased individual, a trust, or any organization such as a society, a union, a club, an association, or a commission.

Property – includes goods, real property, and intangible personal property such as trademarks, rights to use a patent, and admissions to a place of amusement, but does not include money.

Public institution – means a registered charity for income tax purposes that is also a school authority, a public college, a university, a hospital authority, or a local authority determined by the Minister of National Revenue to be a municipality.

Public sector body – means a government or a public service body.

Public service body – means a charity, a non-profit organization, a municipality, a university, a public college, a school authority, or a hospital authority.

Qualifying non-profit organization (qualifying NPO) – means an NPO or prescribed government organization whose percentage of government funding is at least 40% of its total revenue.

Registrant – means a person that is registered or has to be registered for the GST/HST.

Selected public service body – means:

- a school authority, a university, or a public college that is established and operated other than for profit;
- a hospital authority;
- a municipality;
- a facility operator; or
- an external supplier.

Supply – means the provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, and disposition.

Taxable supplies – are supplies of property and services that are made in the course of a commercial activity and are subject to the GST/HST (including zero-rated supplies).

Zero-rated supplies – are supplies of property and services that are taxable at the rate of 0%. This means there is no GST/HST charged on these supplies, but GST/HST registrants may be eligible to claim ITCs for the GST/HST paid or payable on purchases and expenses made to provide them.

GST/HST and municipalities

In this guide, we outline the rules and administrative treatments that apply to municipalities to help you comply with the GST/HST legislation. We have included information on how to register for the GST/HST and claim input tax credits (ITCs) and rebates, as well as information on property and services that are exempt from the GST/HST when supplied by municipalities.

If you are a GST/HST registrant, see Guide RC4022, *General Information for GST/HST Registrants*. It has general information on charging, collecting, and remitting the GST/HST.

If you are not a GST/HST registrant, see “Should you register?” on page 13.

What is the GST/HST?

The goods and services tax (GST) is a tax that applies to most supplies of goods and services made in Canada. The GST also applies to many supplies of real property (for example, land, building, and interest in such property) and intangible personal property such as trademarks, rights to use a patent, and digitized products downloaded from the Internet and paid for individually.

The participating provinces harmonized their provincial sales tax with the GST to implement the harmonized sales tax (HST) in those provinces. Generally, the HST applies to the same base of property (for example, goods) and services as the GST. In some participating provinces, there are point-of-sale rebates equivalent to the provincial part of the HST on certain qualifying items. For more information, see “Provincial point-of-sale rebates” on page 25.

GST/HST registrants who make taxable supplies (other than zero-rated supplies) in the participating provinces collect tax at the applicable HST rate. GST/HST registrants collect tax at the 5% GST rate on taxable supplies they make in the rest of Canada (other than zero-rated supplies). Special rules apply for determining the place of supply. For more information on the HST and the place-of-supply rules, see GST/HST Technical Information Bulletin B-103, *Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province*.

The HST rate can vary from one participating province to another. For the list of all applicable GST/HST rates, go to www.cra.gc.ca/gsthst and select “GST/HST rates” under “Tools.”

Who pays the GST/HST?

Almost everyone has to pay the GST/HST on purchases of taxable supplies of property and services (other than zero-rated supplies).

The governments of the participating provinces have agreed to pay the GST/HST on their taxable purchases. In addition, all British Columbia, Nunavut, and Quebec government departments and agencies pay the GST/HST on their taxable purchases. Therefore, you have to charge the GST/HST on taxable supplies of property and services you make to these provinces’ departments and agencies.

The remaining provincial and territorial governments, including all their government departments or ministries, and some of their Crown corporations, boards, commissions, and agencies, do not pay the GST/HST on their taxable purchases if they provide certification. You do not charge the GST/HST on taxable supplies of property and services made to one of these government entities if an authorized official provides appropriate documentation evidencing that the supplies are being purchased by a provincial or territorial department or eligible government entity.

In addition, under certain circumstances, Indians, Indian bands, and band-empowered entities do not pay the GST/HST on their purchases.

Who charges the GST/HST?

Generally, GST/HST registrants have to collect the GST/HST on all taxable (other than zero-rated) supplies of property and services they provide to their customers. Both GST/HST registrants and non-registrants are generally required to charge and collect the GST/HST on a taxable sale of real property in Canada. However, there are some exceptions. For more information, see “Supplies of real property” on page 27.

How does the GST/HST work?

If you are a GST/HST registrant, you generally have to charge and collect the GST/HST on taxable supplies (other than zero-rated supplies) you make in Canada and file regular GST/HST returns to report that tax.

You can generally claim ITCs on your GST/HST return to recover the GST/HST paid or payable on purchases and expenses to the extent you use, consume, or supply them in your commercial activities. Usually, commercial activities are those undertaken to make taxable (including zero-rated) supplies of property and services. For more information, see “Input tax credits” on page 19.

In addition, you may be eligible for a rebate of the GST/HST paid or payable on purchases and expenses for which you cannot claim ITCs. For more information, see “GST/HST public service bodies’ rebate” on page 20.

When you complete your GST/HST return, deduct your ITCs from the GST/HST you charged your customers. The result is your net tax. If you also qualify for a rebate, you can deduct your rebate from your net tax. Complete the appropriate rebate application and send it with your GST/HST return.

If the GST/HST amount you charged on your taxable supplies is more than the amount of the ITCs and rebates you are claiming, send us the difference. If the amount of the ITCs and rebates you are claiming is more than the GST/HST amount you charged on your taxable supplies, you can claim a refund.

You have to file your GST/HST returns at regular intervals. When you register, we assign you a reporting period. Your reporting period is based on the total revenue from your taxable supplies of property and services, including zero-rated supplies, made in Canada and those of your associates, in your previous fiscal year or in all preceding fiscal quarters ending in a fiscal year. For example, if your annual revenue from taxable supplies is \$1,500,000 or less, we will automatically give you an annual reporting period. This means that you file only one GST/HST return per year.

You may be able to change your assigned reporting period. For example, if you have an annual reporting period but want to file more often, you may be able to elect to file your GST/HST returns on a monthly or quarterly basis instead. To change your assigned reporting period, use our online services at www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives, or send us a completed Form GST20, *Election for GST/HST Reporting Period*.

To get forms, go to www.cra.gc.ca/gsthstpub.

Note

If you are an annual filer and your net tax for a fiscal year is \$3,000 or more, you may have to make quarterly instalment payments throughout the following fiscal year even if your rebate reduces your amount owing to less than \$3,000.

If you are a municipality that is not a GST/HST registrant, your supplies (for example, sale or lease) of personal property, real property, and capital personal property will be taxable unless an exempting provision applies.

If you are a **designated municipality that is not a GST/HST registrant**, your supplies (for example, sale or lease) of designated municipal property (personal, real, or capital personal property) will be taxable unless an exempting provision applies.

If you are either a **municipality or a designated municipality that is not a GST/HST registrant**, you do not charge the GST/HST on any of your taxable services, nor do you charge the GST/HST on taxable supplies of property made by lease or licence. However, you may be required to collect the GST/HST on some taxable supplies of property made by way of **sale**.

Notes

A non-registrant municipality that is a small supplier has to collect tax on a taxable **sale** of capital personal property. For more information, see “Supplies of capital personal property” on page 27.

A designated municipality that is a non-registrant small supplier has to collect tax on a taxable **sale** of designated municipal property that is capital property of the person.

Both non-registrant **municipalities** and **designated municipalities** generally have to collect the GST/HST on their taxable **sales** of real property. See “Supplies of real property” on page 27 for the circumstances under which the purchaser must instead pay the tax directly to us.

You do not claim ITCs for the GST/HST paid or payable on your purchases and expenses. However, you may be able to claim a rebate of the GST/HST you paid on some or all of your purchases and expenses.

Who qualifies as a municipality?

For GST/HST purposes, a municipality means an incorporated city, town, village, metropolitan authority, township, district, county or rural municipality, or other incorporated municipal body, however designated. Examples of other incorporated municipal bodies include incorporated communities in Newfoundland and Labrador, incorporated northern hamlets, and incorporated northern settlements in Saskatchewan.

Under authority delegated by the Minister of National Revenue, we grant either total or partial municipal status to a local authority or other person when:

- we **determine** a local authority to be a municipality. This means that all the GST/HST legislative provisions that relate to municipalities will apply to the local authority as a whole; or
- we **designate** a person to be a municipality for certain municipal services that it provides. The designation only applies to those municipal activities for which the person has been designated. This restriction recognizes that the designated activities represent the only capacity in which the person is like a municipality.

You have to send us a written request for municipal determination or designation for GST/HST purposes. Mail your request, with supporting documents, to:

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

If you are in the province of Quebec, you should send your request for municipal determination or designation to Revenu Québec at:

Directeur des Taxes à la consommation
Direction générale de la législation
Revenu Québec
3800, rue de Marly, secteur 5-2-2
Québec QC G1X 4A5

Organizations that we may determine to be municipalities

Local authorities in the following groups may apply to be a determined municipality for GST/HST purposes:

- para-municipal organizations;
- special-purpose provincially or territorially established authorities;
- unincorporated municipal government units;
- volunteer fire organizations; and
- Indian bands, tribal councils, or band-owned corporations.

Para-municipal organizations

Municipalities often create autonomous boards, commissions, and other local authorities to carry out certain municipal activities. To qualify for determination as a municipality, such a local authority has to meet the following conditions:

- it is established by one or more municipalities, or by a province at the request of one or more municipalities; and
- it is owned or controlled by one or more municipalities.

We will consider a local authority to be **owned** by one or more municipalities if:

- one or more municipalities own 90% or more of the local authority's shares or capital; or
- one or more municipalities hold title to the local authority's assets or control their disposition so that in the event of a winding-up or liquidation, these assets are vested in the municipality or municipalities.

We will consider the local authority to be **controlled** by one or more municipalities if:

- the municipality or municipalities must approve the local authority's operating budget and, where it applies, capital budget; and
- the municipality or municipalities appoint the majority of the members of the local authority's governing body (for example, the directors, governors, or commissioners).

Local authorities that meet the above conditions are eligible to be determined to be para-municipal organizations for GST/HST purposes.

Examples of local authorities that may fall into this category include:

- community centre boards;
- local improvement boards;
- planning commissions;
- police service boards;
- public libraries; and
- tourism boards.

When requesting municipal determination, the local authority should provide the provincial legislation and other documentation showing that a province or a municipality created the local authority. This could include a resolution or by-law of the municipal council or other managing body of the municipality, indicating its intentions.

The local authority should provide documentation showing that either the control or the ownership requirements have been met. Documentation may include copies of municipal by-laws, incorporating documents, subordinate legislation empowering the organization, or financial statements.

Special-purpose provincially or territorially established authorities

These are local authorities created by a province or a territory that act like municipalities by providing specific municipal services.

A provincially or territorially established body may be determined to be a municipality if it meets all of the following conditions:

- a province or territory gives it power to perform one or more municipal functions within a specified geographic area. These functions may include, but are not limited to:
 - conservation;
 - erosion control;
 - fire or police protection;
 - irrigation or water improvement;
 - library services;
 - local planning, improvement, or development;

- parks management;
- pollution control; and
- water or sewerage distribution;
- the local authority must be a body, entity, or organization, and not an individual; and
- the local authority must have local jurisdiction, rather than provincial or national jurisdiction.

When requesting municipal determination, the local authority should provide a copy of relevant provincial legislation or regulations that control its activities, and copies of other supporting documentation including local by-laws, resolutions, or written notification from the provincial authority responsible for municipal affairs.

Unincorporated municipal government units

These include towns, villages, and hamlets that are similar to municipalities, but are unincorporated. We will determine these organizations to be municipalities if they are empowered under provincial or territorial legislation to exercise general powers of local self-government.

When requesting municipal determination, the local authority should provide a copy of the relevant provincial legislation or regulations controlling their activities, as well as copies of supporting documents, including local by-laws, resolutions, or written notification from the provincial authority responsible for municipal affairs.

Volunteer fire organizations

Volunteer fire organizations, such as volunteer fire co-ops, are created by groups of individuals to provide fire protection services in a municipality or any other localized geographic area within a province or territory. We may determine these organizations to be municipalities if they provide evidence that they are providing fire protection services in a particular geographic area. This evidence may include provincial legislation, municipal by-laws, incorporating documents, an agreement or contract between the organization and a municipality or government for the provision of fire protection services, or any other satisfactory documentary evidence.

Indian bands, tribal councils, or band-owned corporations

We may determine certain Indian bands, tribal councils and band-owned corporations to be municipalities for GST/HST purposes. For more information, see the next page.

Organizations that we may designate to be municipalities

Residential Services

We may designate a person to be a municipality with respect to standard exempt municipal services supplied on behalf of a municipality to owners or occupants of real property in a particular geographic area.

You have to include the following documentation with your request for municipal designation:

- a copy of the person's incorporating documents;
- a description of the services provided and a description of the municipality and surrounding areas in which the services are provided; and
- a copy of the by-law authorizing the municipality to enter into an agreement with the person and a copy of the agreement between the municipality and the person.

Unbottled water

Supplies of unbottled water are considered to be standard municipal services. A person, such as a water hauler, water co-operative, or a private utility that supplies unbottled water may request municipal designation for purposes of claiming a municipal rebate.

You have to include the following documentation with your request for municipal designation:

- a copy of incorporating documents or other governing documents demonstrating that the person is a supplier of unbottled water;
- a description of the services provided and a description of the municipality and surrounding areas in which the services are provided;
- a copy of a paid customer invoice showing the supply of unbottled water; and
- a copy of a purchase invoice for the unbottled water, a copy of a permit or other document allowing the person to take water from a government source, or any other document such as a letter from a municipality where the water is taken free of charge.

Rent-geared-to-income housing

The supply of long-term residential accommodation to tenants on a rent-geared-to-income (RGI) basis by a non-profit organization or charity that receives government funding to assist it in providing this accommodation qualifies as a municipal service for designation purposes.

The government funding must be provided to subsidize the cost of housing units that are supplied on a RGI basis. The government funding in these situations includes funding provided by a municipality. The activities described above must be undertaken within a program to provide housing to low-to-moderate-income households. For the purposes of municipal designation, a supply that includes accommodation as one element but also includes other elements such as meals, personal care services, laundry, or housecleaning will not be considered an eligible supply of long-term accommodation.

Note

If you have been designated as a municipality for your supplies of long-term accommodation on a rent-geared-to-income basis, you are eligible for a municipal rebate for those designated activities.

You have to include the following documentation with your request for municipal designation:

- a copy of the incorporating documents of the charity or non-profit organization;
- a copy of a dated and signed agreement that demonstrates that you are providing RGI housing for which your charity or non-profit organization receives funding from a government;
- documentation providing the number of RGI units for which your charity or non-profit organization receives funding from a government relative to the total number of units in the project for the current year; and
- documentation that shows that the selection of eligible households is within a program that is geared to low-to-moderate-income households. Documentation may include written policies, guidelines, and operating manuals that apply to the eligibility process for RGI housing.

For more information, see GST/HST Info Sheet GI-124, *Municipal Designation of Organizations Providing Rent-Geared-to-Income Housing*.

Municipal transit services

Municipal transit services supplied to members of the public by a transit authority are exempt. A transit authority includes a division, department, or agency of a government, municipality, or school authority, as well as certain non-profit organizations. Transit authorities that are not municipalities will have to apply for municipal designation in order to be eligible for a municipal rebate relating to their supplies of municipal transit services to members of the public.

In addition, a public passenger transportation service provided by a non-profit organization or a charity may be designated to be a municipal transit service. These suppliers will also have to apply for municipal designation in order to be eligible for the municipal rebate.

You have to include the following documentation with your request for municipal designation:

- a copy of the supplier's incorporating documents;
- a description of the public passenger transportation services provided and a description of the municipality and surrounding area in which the services are provided; and
- if it applies, a copy of a by-law authorizing the municipality to enter into an agreement with the supplier and a copy of the agreement between the municipality and the supplier for the purpose of providing the services.

Note

A service of operating a public municipal transit service supplied to a municipality does **not** qualify for designation.

Water distribution, sewerage, or drainage systems

An organization that operates a water distribution, sewerage, or drainage system may apply for municipal designation to exempt the services of installing, repairing, or maintaining the system that it operates. We may designate organizations that operate a public system, where a municipality has transferred the functions, responsibilities, assets, risks, and liabilities associated with the operation of the system to the organization, or where a government recognizes the organization as a public utility.

You have to include the following documentation with your request for municipal designation:

- a copy of the organization's incorporating documents;
- a description of the water distribution, sewerage or drainage system operated by the organization, along with a description of the municipality and surrounding areas in which the services are provided;
- a copy of the organization's operating licence, permit, registration, or other authorization to operate the system and to provide water, sewerage, or drainage services through that system; and
- a copy of a by-law authorizing the municipality to enter into an agreement with the organization and a copy of the agreement between the municipality and the organization, or a copy of the certificate, registration, utility tariff or other such document issued to the organization by the government recognizing the organization as a public utility.

Indian bands, tribal councils, or band-owned corporations

An Indian band, tribal council, or band-owned corporation may qualify for **determination** as a municipality if it provides exempt municipal services such as fire and police protection, water distribution, sewerage, or drainage systems, or library services.

An Indian band, tribal council, or band-owned corporation may qualify for **designation** as a municipality if it provides certain exempt municipal services such as water distribution or sewerage services to consumers.

You have to include the following documentation with your request for municipal determination or designation:

- documentation that shows your organization is recognized by Aboriginal Affairs and Northern Development Canada (AANDC);
- documentation that shows your organization is providing municipal services to residents of the land for which it has local jurisdiction or responsibility; and
- a copy of the comprehensive or alternative funding agreement.

How to cancel your municipal determination or designation

You can cancel your municipal determination or designation by sending a written request to us at the following address:

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

If you are in the province of Quebec, you should send your request to Revenu Québec at:

Directeur des Taxes à la consommation
Revenu Québec
Direction générale de la législation
3800, rue de Marly, secteur 5-2-2
Québec QC G1X 4A5

Changes to determined or designated municipalities

Once an organization or other person has been determined or designated to be a municipality, it is responsible for advising us of any changes that may affect its status as a municipality. This would include a structure change due to an amalgamation or merger with another organization, or any changes in the manner in which it is funded or operated.

When an organization or other person no longer qualifies for determination or designation as a municipality, it will no longer be entitled to a municipal rebate regardless of whether its determination or designation as a municipality has been revoked. See also "Amalgamation of municipalities" on page 30.

Taxable and exempt supplies

The following are examples of supplies of property and services made by a municipality that may be taxable, including zero-rated (taxable at 0%), or exempt.

Taxable supplies (other than zero-rated)

The following are examples of taxable, other than zero-rated, supplies (for the list of all applicable GST/HST rates go to www.cra.gc.ca/gsthst and select "GST/HST rates" under "Tools"):

- most supplies of real property (see "Supplies of real property" on page 27), including:
 - banquet facility rentals;
 - public parking rentals (such as municipal parking lots and parking meters);

- licences to use real property; and
- rights to use a municipal golf course;
- most supplies of personal property and capital personal property by a municipality (see “Supplies of capital personal property” on page 27);
- telecommunication services, hydro-electricity, and natural gas;
- certain municipal services provided on an optional fee-for-service basis, such as driveway paving;
- licences to a consumer or non-registrant to remove forestry products or fishery products;
- services for testing or certifying that property meets a particular standard;
- supplies by a designated municipality of designated municipal property that is either personal property or capital personal property of the person;
- most supplies of property or a service made by a public institution that is a municipality; and
- most supplies of designated municipal property by a public institution or a charity that is a designated municipality.

Zero-rated supplies

Examples of supplies of property and services taxable at 0% include:

- medical devices, such as wheelchairs, eyeglasses, canes, and artificial teeth;
- basic groceries, such as fruit, vegetables, meat, and flour;
- most agricultural and fishery products; and
- most property and services exported from Canada.

Exempt supplies

Examples of supplies of property and services exempt of the GST/HST when made by a municipality include:

- fire protection;
- law enforcement;
- garbage collection, including the collection and delivery of recyclable materials;
- certain licences and permits; and
- municipal transit.

For more information, see “Exemptions for municipalities” on the page 15.

Should you register?

You have to register for the GST/HST if:

- you provide taxable supplies in Canada; and
- you are not a small supplier (see “Small supplier” later on this page).

You do **not** have to register if:

- your only commercial activity is the sale of real property, other than in the course of a business. Although you do not have to register for the GST/HST in this case, your sale of real property and certain capital personal property may still be taxable and you may have to charge and collect the tax. For more information, see “Supplies of capital personal property” and “Supplies of real property” on page 27; or
- you are a non-resident who does not carry on business in Canada. For more information, see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

Small supplier

You are a small supplier and do not have to register if you meet **one** of the following conditions:

- you are a **public service body** and the total amount of all revenues (before expenses) from your worldwide taxable supplies from all of the organization’s activities and those of your associates, is \$50,000 or less in any single calendar quarter and in the last four consecutive calendar quarters;
- you are a partnership or a corporation that is **not** a public service body and the total amount of all revenues (before expenses) from your worldwide taxable supplies and those of your associates, is \$30,000 or less in any single calendar quarter and in the last four consecutive calendar quarters; or
- you are a sole proprietor and the total amount of all revenues (before expenses) from your worldwide taxable supplies from all your businesses and those of your associates, is \$30,000 or less in any single calendar quarter and in the last four consecutive calendar quarters.

In determining the total amount of revenue from taxable supplies (including zero-rated supplies) of property and services made inside and outside Canada by you and your associates, do not include revenues from supplies of financial services, sales of capital property, and goodwill from the sale of a business.

If you are a small supplier, you do not have to register for the GST/HST but may do so voluntarily.

If during one calendar quarter your total worldwide revenues from taxable supplies, including those of your associates, are more than \$50,000, you will immediately stop being a small supplier. You will have to start collecting the GST/HST on your taxable supplies made in Canada from the date of, and including, the supply that put you over the \$50,000 threshold, even if you are not yet registered.

If you do not exceed the threshold amount of \$50,000 in one calendar quarter, but you do over four consecutive calendar quarters, you are considered to be a small supplier for those four calendar quarters and a month following those quarters. You will have to start collecting the GST/HST on your taxable supplies made in Canada following that month.

Note

Registered charities that have been determined or designated to be municipalities can calculate their small supplier threshold with either the \$250,000 gross revenue test or the \$50,000 annual taxable supplies test. For more information, see Guide RC4082, *GST/HST Information for Charities*.

If you are a non-registrant small supplier, you do not charge the GST/HST when you supply taxable property or services (other than taxable sales of real property and capital personal property, and taxable sales by a designated municipality of designated municipal property that is capital property of the person). You cannot claim ITCs to recover the GST/HST paid or payable on your purchases and expenses. However, as a municipality, you may be eligible for a rebate of the GST/HST.

If you are a GST/HST registrant, you generally have to collect the GST/HST on your taxable supplies of property and services (other than zero-rated supplies and certain taxable sales of real property), **and** you can generally claim ITCs for the GST/HST paid or payable on your purchases and expenses incurred to provide them, to the extent they were consumed, used, or supplied in a commercial activity.

How to register

Before you can register for a GST/HST account, you need a business number (BN). Your BN will be your business identification for all your dealings with us. For more information, see Booklet RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*.

To set up a BN, a GST/HST account, and any other account you may need (for example, a payroll deduction or import account), go to www.businessregistration.gc.ca or send us a completed Form RC1, *Request for a Business Number (BN)*.

If the physical location of your business is in Quebec, contact Revenu Québec at 1-800-567-4692.

Bodies created by a municipality

Municipal boards, commissions, and departments that are legally part of a municipality cannot register separately for the GST/HST. However, public service bodies that are boards, commissions, and bodies created by a municipality and whose legal status is separate from the municipality have to register separately if their worldwide taxable supplies of property and services (including those of their associates) are more than \$50,000 over four consecutive calendar quarters or in any single calendar quarter.

Incorporated municipalities

If you are incorporated, you register for the GST/HST as a single entity. Your individual branches or divisions cannot register separately. We consider the total worldwide revenues from taxable supplies made by your corporation (including branches and divisions, as well as those of your associates) to determine whether or not you have to register.

However, if your municipality has branches or divisions, you can apply for each branch or division with \$50,000 or less in revenues from taxable supplies in its last four calendar quarters or in any single calendar quarter to be designated as a small supplier division.

A small supplier division does not have to collect the GST/HST on its taxable supplies (other than on taxable sales of capital personal property and real property and, if it is a designated municipality, on taxable sales of designated municipal property that is capital property) and cannot claim ITCs for the GST/HST paid or payable on its purchases and expenses. Generally, the GST/HST paid or payable on purchases and expenses as a small supplier division would be included in the amounts you claim when calculating your rebate. Once a branch no longer qualifies as a small supplier division, it must collect the GST/HST on all of its taxable supplies (other than zero-rated) and can claim ITCs.

A branch or division qualifies as a small supplier division if:

- you can separately identify the branch or division by either its location or the nature of its activities;
- separate records, accounting books, and systems are kept for that branch or division;
- the branch or division made \$50,000 or less in revenues from taxable supplies in its last four calendar quarters and in any single calendar quarter; and
- you have not revoked the designation of a branch or division as a small supplier division within the previous 365-day period.

If you would like to apply to have your branches or divisions designated as small supplier divisions, send us a completed Form GST31, *Application by a Public Service Body to Have Branches or Divisions Designated as Eligible Small Supplier Divisions*.

Unincorporated municipalities

If your municipality has several branches or divisions, we may consider the branches or divisions to be separate entities for GST/HST purposes. Depending on the amount of their taxable supplies, individual branches or divisions may have to register separately.

We consider a branch or division within an unincorporated municipality to be a separate entity if it has a significant degree of control over its own affairs. To determine if a branch or division is a separate entity and should register separately for the GST/HST, consider the following criteria.

Legal status – Does the particular branch or division have a constitution and by-laws different from those of the municipality? Does the branch's constitution define the activities the branch will carry out? Can it sue and be sued, hold property, or contract in its own name? Is it liable for its own debts? Does it raise its own revenues or does the municipality fund it?

Management structure – Do the municipality and its branches have different managers? Can the branch make financial and operational decisions without the approval of the municipality? Does it have separate accounting systems and a different fiscal year-end from the municipality?

Note

If a branch of an unincorporated municipality registers as a separate entity, the GST/HST applies to taxable supplies made between that branch and the municipality.

Exemptions for municipalities

Municipalities make a number of supplies of property and services that are exempt from the GST/HST. Some exemptions are common to all public service and public sector bodies (defined on page 7). Some of the more common exemptions applicable to municipalities are described below.

Library services

The supply of a right to borrowing privileges (library cards) and fines related to borrowing activities at a public library are not subject to the GST/HST.

Registration and licences

Property registration

Certain supplies relating to property registration are GST/HST exempt where those supplies are provided by a municipality or a board, commission, or other body established by a municipality. Such supplies may include:

- registering, or processing an application to register, any property in a property registration system;
- filing, or processing an application to file, any document in a property registration system;
- providing access to, or the use of, a property registration system to register or to apply to register any property in it; or
- providing access to, or the use of, a property registration system to file, or to apply to file, any document in it.

Court registration

Supplies relating to the registration system of a court are GST/HST exempt where those supplies are provided by a municipality, or a board, commission, or other body established by a municipality.

They include:

- filing, or processing an application to file, a document in the registration system of a court or in accordance with legislative requirements;
- providing access to, or the use of, the registration system of a court, or any other registration system in which documents are filed as required by law, for the purpose of filing a document in that registration system;

- issuing, providing, or processing an application to issue or provide, a document from the registration system of a court or other similar tribunal; or
- providing access to, or the use of, the registration system of a court or other similar tribunal to issue or obtain a document from that registration system.

Licences

Certain supplies of licences, permits, quotas, or similar rights, a service of processing an application for a licence, permit, quota or similar right or the right to access, or to use a filing or registration system to make such applications are GST/HST exempt when these supplies are made by a municipality or by a board, commission, or other body established by a municipality.

Note

A right or a service supplied in respect of the importation of alcoholic beverages is subject to the GST/HST. In addition, services supplied in respect of an exempt licence, permit, quota or similar right, such as inspection services are also subject to the GST/HST.

Other exempt supplies

A supply of any document, or service of providing information, or a right to have access to, or to use, a filing or registration system to obtain any document or information provided by a municipality, or by a board, commission, or other body established by a municipality is GST/HST exempt, if:

- the document or information indicates the vital statistics, residency, citizenship, the right to vote, or the registration for any government service, or any other status of any person; or
- the document or information is in respect of the title to, any right or estate in, property or any encumbrance or any assessment in respect of property or the zoning of real property.

The supply of a service of providing information under the *Privacy Act*, the *Access to Information Act*, or any similar provincial legislation is also exempt when provided by a municipality, or by a board, commission, or other body established by a municipality.

Law enforcement and fire protection services

The supply of a law enforcement service or a fire protection service made to a government or a municipality, or to a board, commission, or other body established by a government or municipality, is GST/HST exempt when provided by a municipality or by a board, commission, or other body established by a municipality. For example, fire protection services are exempt when supplied by a municipality to its neighbouring municipalities.

Residential services

Municipal services are GST/HST exempt when provided by a municipality on a non-optional basis to owners or occupants of real property in the municipality (for example, sewerage services).

This exemption applies only when the person paying for the service is the property owner or occupant. As a result, property owners or occupants will not pay tax on standard municipal services.

Non-optional municipal services that a third party provides on behalf of a municipality are taxable if the third party bills the municipality for the services supplied, but exempt if the third party bills the property owner or occupant.

Example

A municipality hires a private business to provide snow removal services for the municipality. This service is taxable because it is being provided to the municipality rather than directly to property owners.

Services that a municipality provides to owners or occupants of real property are exempt if they are supplied because of the owner's or the occupant's failure to comply with a legal obligation.

Example

A municipal by-law requires homeowners to cut the grass on municipal easements abutting their property. If a homeowner fails to comply, the municipality will cut the grass and charge the homeowner for the service. The service is exempt.

Garbage collection, including the collection and delivery of recyclable materials

Garbage collection services, including collection of recyclable materials and special collections, are GST/HST exempt when provided by a municipality or a board, commission, or other body established by a municipality.

The collection of recyclable material includes such services as the blue box program, where recyclable material is picked up from residences, or the service of collecting recyclable material from a central recycling depot.

Example

A municipality gives 52 tags to the homeowner, to be attached to one bag or container of garbage per week. The municipality collects only the bags or containers that have tags attached. Homeowners may purchase additional tags for \$1.50 each if they have more than one bag or container of garbage to be collected. The garbage collection, and the supply of the additional tags, is exempt.

Note

Although the collection and delivery of recyclable material to a recycling centre is an exempt supply when made by a municipality, the processing and marketing of the recyclable material for later sale is a commercial activity. Consequently, the sale of recyclable material is taxable.

Municipal water distribution, sewerage, or drainage systems

A supply of a service of installing, repairing, maintaining or interrupting the operation of a water distribution, sewerage, or drainage system, is GST/HST exempt if the supply is made by a municipality or by an organization designated as a municipality for this purpose.

A separate fee charged to a property owner or occupant for a service of repairing or maintaining part of an existing sewer or water line is also exempt.

Note

A supply of a service of operating or managing another person's water distribution, sewerage or drainage system, or collecting waste water, is subject to the GST/HST. Also, supplies where a user or connection fee is charged to an owner or occupant of a property connected to a water distribution system are subject to the GST/HST **unless** the supplies are made on behalf of a municipality. For more information, see "Residential services" on this page.

Unbottled water

The supply of unbottled water made by a person other than a government, or by a government designated to be a municipality for purposes of supplying the water, is GST/HST exempt. The service of delivering an exempt supply of water is also exempt when made by the supplier of the water.

This exemption does not apply to zero-rated supplies (such as water sold to consumers in containers that are larger than a single serving) or the supply of water served in single servings to consumers through a vending machine or at the supplier's permanent establishment, which is taxable at the applicable rate.

Municipal transit services

Municipal transit services that are provided directly to the public by municipalities are GST/HST exempt. Transportation services made directly to the public that have been designated as a municipal transit service are also exempt supplies.

Note

A supply of a service made by a person to a municipality of operating a municipal transit system is subject to the GST/HST.

Taxable transit services include:

- charter services provided by a municipal transit authority;
- city tour services provided by a transit authority if, in addition to the transportation services, passengers get a commentary by a tour guide; and
- any transit services supplied by a private company and charged to a municipality.

Leases and rentals of motor vehicles follow the general place-of-supply rules that apply to most property, but with special adjustments related to lease intervals, international fuel tax agreements, and interprovincial arrangements.

Other exempt municipal services

The following services made by a municipality, or by a board, commission, or other body established by a municipality, are also exempt:

- installing, replacing, repairing, and removing street or road signs, barriers, street or traffic lights, or any similar property;
- removing snow, ice, or water;
- removing, cutting, pruning, treating, or planting vegetation;
- repairing or maintaining roads, streets, sidewalks, or similar or adjacent property; or
- installing accesses or egresses.

Inter-municipal and intra-municipal supplies

A regional or county municipality may provide property, services, or real property for municipalities within the region or county. In addition, municipalities and their autonomous para-municipal organizations may make supplies between each other.

Since a municipality and a para-municipal organization (defined on page 9) are separate entities, the GST/HST would usually apply to supplies made between them. However, there are special exemptions for certain supplies made between the following:

- a municipality and any of its para-municipal organizations. For example, accounting services that a municipality provides for its library board, which has been determined to be a municipality, are exempt supplies. A lease of a building by the municipality to the library board would also be an exempt supply;
- para-municipal organizations of the same municipality. For example, supplies of literature from a municipal library board to a police commission are exempt if both are para-municipal organizations of the municipality;
- a regional municipality and any of its local municipalities or any para-municipal organizations of any of those local municipalities. For example, the supply of legal services from the regional municipality to the local municipality is exempt;

- a para-municipal organization of a regional municipality and any local municipality of the regional municipality, or any para-municipal organization of the local municipality. For example, the supply of a regional library board's administrative services to a local municipality's library board is exempt; and
- a regional municipality or any of its para-municipal organizations and any other organization designated for the provision of municipal services within an area over which the regional municipality has jurisdiction. For example, the supply of engineering services from the regional municipality to an organization operating a water distribution system for which it has been designated is exempt.

The following supplies are subject to the GST/HST:

- a supply of electricity, gas, steam, or telecommunication services made by a municipality or any of its para-municipal organizations acting as a public utility;
- supplies between neighbouring municipalities, even if they are under the jurisdiction of the same regional municipality;
- supplies between para-municipal organizations of neighbouring municipalities, even if they are under the jurisdiction of the same regional municipality; and
- supplies between a para-municipal organization of one municipality and a neighbouring municipality.

Ferry, road, and bridge tolls

Domestic ferry services that transport passengers or property are GST/HST exempt if the principal purpose of the ferrying is to transport motor vehicles and passengers between parts of a road or highway system separated by water. If there is a toll charge for the right to use a road or bridge, the right is also exempt and the toll is not subject to the GST/HST.

Admission to a place of amusement

Admissions to places of amusement, such as museums, recreational complexes, theatres, and wild life parks are exempt if the **maximum amount** charged is \$1 or less. For example, if you charge adults a \$5 admission and children a \$0.50 admission, both supplies of admissions (for adults and for children) are taxable.

Amateur performances and events

Ticket sales for any athletic or competitive event or performance are GST/HST exempt as long as all or substantially all (90% or more) of the athletes, competitors, or performers are not remunerated, either directly or indirectly, for their participation.

We do not consider government and municipal grants, reasonable gifts, prizes, and compensation for travel or other incidental expenses to be remuneration in this situation. In addition, the performance or event cannot be advertised as featuring paid, professional participants.

This exemption does not apply to events, such as professional and amateur (pro-am) golf tournaments, where professional competitors compete for cash prizes.

Recreational programs

Supplies of membership fees and services for recreational programs established and operated by a municipality are GST/HST exempt if they consist of supervised instructional classes or activities involving athletics, outdoor recreation, music, dance, crafts, arts, hobbies, or other recreational pursuits in the following circumstances:

- The program is provided primarily to children 14 years of age or younger, and a large part of it does not involve overnight supervision. For example, this exemption would apply to supplies of summer day camp programs.
- The program is provided primarily to underprivileged individuals, or individuals with a disability. Supplies of programs including board, lodging and recreational services at recreational camps or similar places may also be exempt when they are provided primarily to underprivileged individuals or individuals with a disability.

Relief of poverty, suffering, or distress

The supply of food, beverages, or short-term accommodation provided to relieve the poverty, suffering or distress of individuals (other than certain fund-raising activities) is GST/HST exempt when provided by a public sector body (other than a charity). For example, the GST/HST does not apply to charges for meals or accommodation at a shelter for needy individuals.

Prepared meals provided in an individual's home through programs for seniors, underprivileged individuals, or individuals with a disability who have difficulty preparing adequate meals for themselves are exempt. Any supply of food or beverages made to the public sector body for these programs is also GST/HST exempt (for example, sales of food and beverages to a meals-on-wheels organization).

Additional exemptions exist for charities that provide relief of poverty, suffering, or distress. For more information, see Guide RC4082, *GST/HST Information for Charities*.

Homemaker services

Homemaker services may include cleaning and other household services, meal preparation, childcare, and personal services when provided to an individual who requires assistance due to age, infirmity or disability.

These services, offered in the individual's place of residence, are GST/HST exempt when supplied by a municipality. They are also exempt when a municipality or organization administering a municipal program for homemaker services pays another person to make or to acquire these services.

If the individual receives homemaker services as described above, any other homemaker services that the individual receives are also exempt.

Fundraising by a public institution

An organization (such as a conservation authority) that we have determined to be a municipality, and that is also a registered charity under the *Income Tax Act*, meets the definition of public institution, for which there are specific exemptions.

A supply made by a public institution of an admission to a fund-raising dinner, ball, concert, show, or similar fund-raising event is exempt where the public institution is permitted to issue a donation receipt for income tax purposes for part of the admission price, or could issue a donation receipt if the recipient of the supply were an individual. This exemption does not require a public institution to issue a donation receipt.

Example

You sell tickets to a fund-raising dinner for \$75 but \$50 of the ticket price qualifies for a charitable donation receipt for income tax purposes. You do not charge the GST/HST on any part of the admission.

Supplies of property or services made in the course of a fundraising activity are exempt if the supplies are not made on a regular or continuous basis throughout the year or a significant part of the year, and if the agreement for the supplies does not entitle the recipients to receive property or services throughout the year or a significant part of the year.

Harmonized sales tax

Tax on property and services brought into a participating province

You may have to self-assess the provincial part of the HST if you acquire goods, services, or intangible personal property (IPP) in a non-participating province, but you use, consume, or supply them within the participating provinces. For the list of all applicable GST/HST rates go to www.cra.gc.ca/gsthst.

You may also have to self-assess if you use, consume, or supply goods, services, or IPP in a participating province with a higher HST rate than the participating province where you acquired them.

For more information regarding self-assessment requirements and exceptions, see GST/HST Notice 266, Draft GST/HST Technical Information Bulletin, *Harmonized Sales Tax – Self-assessment of the provincial part of the HST in respect of property and services brought into a participating province*.

Imported services and intangible personal property

If you buy services (such as architectural services for a building in Canada) or IPP (such as the right to use a patent in Canada) from an unregistered non-resident person outside Canada, you generally do not pay the GST/HST if you acquire them for consumption, use, or supply at least 90% in your commercial activities. You also do not have to self-assess the provincial part of the HST if the imported services or IPP are for consumption, use, or supply 90% or more in the non-participating provinces.

If you **are** a registrant and you do not consume, use, or supply the imported services or IPP at least 90% in your commercial activities, you have to report the GST or the 5% federal part of the HST on **line 405** of your GST/HST return and remit the tax directly to us.

If you **are not** a GST/HST registrant, you may still have to pay tax on imported services or IPP. Use Form GST59, *GST/HST Return for Imported Taxable Supplies and Qualifying Consideration*, to remit the tax.

If you are a resident in a participating province and the imported services or IPP are for consumption, use, or supply less than 90% in your commercial activities and the services or IPP are for consumption, use, or supply 10% or more in the participating provinces, you may also have to pay the provincial part of the HST on the services or IPP to the extent that the services or IPP are for consumption, use, or supply in those particular provinces.

For more information regarding self-assessment requirements and exceptions, see Guide RC4022, *General Information for GST/HST Registrants*.

Input tax credits

You may be eligible to claim ITCs if you are registered, or are required to be registered, for GST/HST. **If you are not a GST/HST registrant, this section does not apply to you.**

If you are eligible, you recover the GST/HST paid or payable on your purchases and expenses related to your commercial activities by claiming ITCs on **line 106** of your GST/HST return, or by claiming ITCs in the **line 108 calculation** if you are filing electronically. You cannot claim an ITC for purchases of certain capital property (see “Capital property” on page 26).

Note

If a registrant municipality makes a taxable sale of capital personal property or a designated municipality makes a taxable sale of designated municipal property that is capital property of the person, the municipality can claim an ITC for the part of the GST/HST that is not otherwise recoverable.

You can use the general rules to calculate your ITCs or the **simplified method for claiming ITCs**. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

General operating expenses are purchases you make for the overall operation of your municipality (for information on capital property, see “Claiming ITCs on capital property” on page 27). These expenses include those for management, administration, and other support functions of your municipality. Examples of general operating expenses may include paper, pens, utilities, and equipment and office rentals.

If you intend to consume or use 90% or more of an operating expense in your commercial activities, you can claim a full ITC for the GST/HST paid or payable on that expense.

If you intend to consume or use 90% or more of an operating expense in your **exempt** activities, you cannot claim an ITC for the GST/HST paid or payable on that expense.

Example

You hire a painting company to paint an apartment building you use to supply long-term residential accommodation (an exempt supply). You cannot claim an ITC for the GST/HST paid or payable to the painting company.

If you make both taxable and exempt supplies and you cannot attribute 90% or more of an operating expense to either a commercial activity or an exempt activity, you can only claim an ITC to the extent you acquire the property or service for consumption or use in your commercial activities. For mixed-use expenses, you have to determine their percentage of use in your commercial activities.

The method you use to determine the percentage of consumption or use of the operating expenses in commercial activities has to be fair and reasonable, and be used consistently throughout the year.

Examples of expenses that may be eligible for ITCs include:

- general operating expenses, such as rent and utilities, to the extent that they are used in commercial activities;
- new merchandise bought for resale;
- meals and entertainment expenses related to your commercial activities (subject to certain restrictions);
- certain allowances and reimbursements you paid to employees and volunteers engaged in your commercial activities;
- capital personal property (such as office furniture, photocopiers, computers, and vehicles) consumed or used primarily (more than 50%) in your commercial activities (see “Capital property” on page 26); and
- purchases of, and improvements to, capital real property used primarily in commercial activities (see “Capital property” on page 26).

Example

Your municipality operates an arena to make both taxable supplies of ice time for consideration and exempt supplies of supervised skating classes for children 14 years of age or under. During the quarterly reporting period, 70% of your hydro usage relates to your exempt supplies and 30% relates to taxable supplies for consideration. You may be eligible to claim 30% of the GST/HST paid or payable on that quarter's hydro bill as an ITC. You may also be able to claim a municipal rebate for the remaining amount.

Most registrants claim their ITCs when they file their GST/HST return for the reporting period in which they made their purchases or incurred their expenses. However, if your annual revenue from taxable supplies in each of the previous two fiscal years was \$6 million or less, you generally have up to four years from the due date of the return for the reporting period in which the ITC could have first been claimed to claim the ITC.

Example

You are a quarterly filer and your annual revenues are less than \$6 million. GST was paid or payable on your property for resale in the reporting period of April 1 to June 30, 2015, for which you can claim an ITC. Since the end of the reporting period is June 30, 2015, and the due date of the return for that period is July 31, 2015, you can claim the ITC on that return or in any future return filed by July 31, 2019.

If your annual revenue from taxable supplies was more than \$6 million in the current year that includes your reporting period, and the previous year, the time limit for claiming ITCs is generally reduced to two years.

Simplified method for claiming ITCs

The **simplified method for claiming ITCs** is another way for **eligible registrants** to calculate their ITCs, when completing their GST/HST return using the regular method of filing.

You are **eligible** to use the simplified method for claiming ITCs if you meet **all** of the following conditions:

- You are a GST/HST registrant.
- You are **not** a listed financial institution.
- You and your associates have annual worldwide revenues from taxable supplies of property and services that do not exceed \$1 million (increased from \$500,000 beginning January 1, 2013) in your immediately preceding fiscal year and the preceding fiscal quarters in the current fiscal year. This limit does not include goodwill, zero-rated financial services, or sales of capital real property.

- Your taxable purchases in Canada must not exceed \$4 million (increased from \$2 million beginning January 1, 2013) in the immediately preceding fiscal year. The \$4 million purchase limit does not include zero-rated purchases, but does include purchases imported into Canada. In addition, as a municipality, you must be able to reasonably expect that your taxable purchases in the **current** fiscal year will not be more than \$4 million.

For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

GST/HST public service bodies' rebate

Public service bodies, such as municipalities, can claim a rebate to recover the GST/HST paid or payable. This rebate allows you, as a municipality, to recover 100% of the GST or of the federal part of the HST paid or payable on your eligible purchases and expenses, **but that you cannot recover through an ITC, or any other rebate, refund or remission**. You do not have to be registered for the GST/HST to apply for a municipal rebate. If you are a designated municipality, you are only entitled to claim the 100% rebate of the GST and the federal part of the HST to the extent that you intended to consume, use, or supply a purchase or expense in the course of your designated activities in the participating province.

If you are a municipality in British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, or Ontario, you may also claim a rebate for a percentage of the **provincial** part of the HST paid or payable on your eligible purchases and expenses. If you are a designated municipality resident in these provinces, you can only claim a municipal rebate of the provincial part of the HST to the extent that you intended to consume, use, or supply a purchase or expense in the course of your designated activities.

The rebate rates for the provincial part of the HST paid or payable on your eligible purchases and expenses are:

- 75% if you are a municipality resident in British Columbia;
- 57.14% if you are a municipality resident in New Brunswick;
- if you are a municipality resident in Newfoundland and Labrador, 25% for tax payable in 2016, and 57.14% for tax payable on or after January 1, 2017;
- 57.14% if you are a municipality resident in Nova Scotia; and
- 78% if you are a municipality resident in Ontario.

The HST applies in British Columbia only after June 2010 and before April 2013.

Notes

Municipalities in Prince Edward Island, as well as municipalities in Newfoundland and Labrador for tax payable before January 1, 2016, are not eligible for a rebate of the provincial part of the HST except for qualifying non-profit organizations, public institutions, and charities that are designated to be a municipality for purposes of claiming the rebate. The rebate of the provincial part of the HST may only be claimed by these organizations in respect of their non-designated activities.

While not technically a municipality, an Inuit community government (and the Nunatsiavut Government) that is resident in Newfoundland and Labrador is treated as a municipality for purposes of claiming the public service bodies' rebate (PSB rebate) of the provincial part of the HST. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

If you are **not** a GST/HST registrant, you can apply for a 100% rebate of the GST and the federal part of the HST you paid on **all** of your eligible purchases and expenses (see the next section).

If you **are** a GST/HST registrant, you can apply for a 100% rebate of the GST and of the federal part of the HST you paid on eligible purchases and expenses (see the next section) for which you **cannot** claim ITCs.

If you buy property or services to be used primarily (more than 50%) by another selected public service body (a university, a public college or school authority that is established and operated other than for profit, a hospital authority, a facility operator or external supplier) in that other body's activities, you have to claim a rebate at the rate that applies to the other selected public service body for the tax paid or payable on the property and services.

Example

You are a municipality in Alberta and you buy a computer primarily for use by a school authority. You qualify for a 68% rebate of the GST on this computer, based on the rate for school authorities.

Note

You may be eligible to use the simplified method for claiming PSB rebates. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

Apportionment of rebates

If you are a designated municipality that is also a charity, public institution, or qualifying non-profit organization and you engage in activities that are separate from your designated municipal activities, you have to apportion your PSB rebate. Claim the 100% municipal rebate of the GST and the federal part of the HST to the extent that you intended to consume, use, or supply a purchase or expense in the course of your designated activities and a 50% PSB rebate to the extent that you intend to consume, use, or supply a purchase or expense in your other activities.

Example

You are a registered charity resident in Manitoba that supplies rent-geared-to-income housing and you have been designated as a municipality for these supplies. Forty percent of your supplies of housing are restricted to seniors on a rent-geared-to-income basis and the other 60% are at market rate. You also operate a separate nursing home as a registered charity. You are entitled to a 100% municipal rebate of the GST for purchases relating to rent-geared-to-income housing, the only activity for which you have been designated to be a municipality, and you are entitled to a 50% rebate of the GST for purchases and expenses that relate to the operation of the nursing home, and to the supplies of housing at market rate.

If you are a designated municipality that is also a charity, a public institution, or a qualifying non-profit organization resident in a participating province, you have to apportion your PSB rebate of the provincial part of the HST. Claim the municipal rebate using the relevant rebate rate of the provincial part of the HST (see page 21) to the extent that you intended to consume, use, or supply a purchase or expense in your designated activities and claim a PSB rebate as a charity or qualifying non-profit organization to the extent that you intend to consume, use, or supply a purchase or expense in your other activities. The PSB rebate rates of the provincial part of the HST for charities and qualifying non-profit organizations are:

- 57% if you are resident in British Columbia (after June 2010 and before April 2013);
- 50% if you are resident in New Brunswick (only if you are not also a hospital authority, a university, a school authority, or a public college);
- 50% if you are resident in Newfoundland and Labrador;
- 50% if you are resident in Nova Scotia;
- 82% if you are resident in Ontario; and
- 35% if you are resident in Prince Edward Island (after March 31, 2013).

For more information, see Guide RC4034.

Eligible purchases and expenses

The GST/HST paid or payable on the following purchases and expenses may be eligible for the PSB rebate:

- general operating expenses, such as rent, utilities, and administration expenses, for which you cannot claim ITCs;
- most allowances and reimbursements you pay to employees involved in your exempt activities;
- property and services used, consumed, or supplied in your exempt activities; and

- capital property. However, you cannot claim the rebate when you change the use of capital property from primarily commercial activities to primarily non-commercial activities. This is because you have to calculate the basic tax content of the property with such a change in use and the basic tax content formula already takes the PSB rebate into account.

Non-eligible purchases and expenses

The GST/HST paid or payable on certain purchases and expenses is not eligible for the PSB rebate. These purchases and expenses include:

- membership in a club, the main purpose of which is to provide dining, recreational, or sporting facilities;
- tobacco products and alcoholic beverages you supply and for which you are not required to collect the GST/HST (except when the alcohol or tobacco is included in the price of a meal);
- property and services you acquire to provide long-term residential accommodation (one month or more), unless more than 10% of the accommodation is restricted to seniors, youths, students, or individuals with a disability or with limited financial resources who qualify for occupancy or reduced rents under a means or income test;
- property and services you acquire primarily (more than 50%) for the supply of a parking space made available to residential tenants **unless** more than 10% of the residential accommodation associated with the parking space is restricted to seniors, youths, students, or individuals with a disability or limited financial resources who qualify for occupancy or reduced rents under a means or income test;
- property and services acquired primarily for making a supply of real property to another person for use by that person in leasing residential property on an exempt basis (including incidental parking), **unless** that other person is a public service body and more than 10% of the residential property is restricted to seniors, youths, students, individuals with a disability, or individuals with limited financial resources who qualify for occupancy or reduced rents under a means or income test;
- property or services you supply to another person, if the property or service is a taxable benefit to that person for income tax purposes, but you do not have to remit any GST/HST on the supply;
- property and services considered to be acquired by you acting as the operator of a joint venture (where an election has been filed) if any of the co-venturers would not be entitled to claim a PSB rebate if they were acquired by the co-venturer; and

- property and services you acquire to supply to an officer, employee, or member, or to another person related to that person, for personal use unless:
 - you supply it for its fair market value in the same year you acquire it and tax is payable in respect of the supply; or
 - you supply the good or service free of charge to the person and it is not a taxable benefit.

General operating expenses

General operating expenses are purchases you make for the overall operation of your municipality (for information on “Capital property”, see page 26). These expenses include those for management, administration, and other support functions of your municipality. Examples of general operating expenses may include paper, pens, utilities, and equipment and office rentals.

If you **are** a GST/HST registrant and you can attribute an expense directly to a specific use, the rules are as follows:

- You can claim an ITC if you incur an expense to provide taxable property and services for consideration. For example, if you pave private owners’ driveways in a new subdivision and bill the owners directly for this service, you can claim an ITC for the GST/HST paid or payable on expenses used to provide the service.
- You can claim a rebate if you incur an expense to make exempt supplies. If you intend to use your general operating expenses all or substantially all (90% or more) to provide exempt property and services, you can claim a rebate of 100% of the GST and the federal part of the HST paid or payable on all of these expenses. If you are a municipality in New Brunswick, Newfoundland and Labrador, Nova Scotia, or Ontario, you may also claim a rebate for a percentage of the provincial part of the HST for these expenses. (As British Columbia was a participating province from July 1, 2010, until March 31, 2013, as a municipality in British Columbia, you may also be eligible to claim a rebate for a percentage of the provincial part of the HST paid or payable that relates to that period.)

Note

Designated municipalities must allocate expenses between their designated activities and their other activities, and apportion their rebate claim accordingly.

If you cannot directly attribute your general operating expenses to a specific use, you have to apportion the GST/HST paid or payable on these expenses. This applies if your municipality makes both taxable and exempt supplies. You can claim an ITC for the GST/HST paid or payable on property or a service to the extent that it was acquired for use in your commercial activities and a rebate on the part of the GST/HST for which you cannot claim ITCs (for example, purchases used in exempt activities). You have to apportion the GST/HST paid or payable on your general operating expenses between commercial and exempt activities.

Example

You are a municipality in Saskatchewan and your operating expenses for both commercial and exempt activities combined are \$1,000 per month plus \$50 GST. If 30% of your activities involve making taxable supplies of property and services for consideration and 70% involve making exempt supplies of property and services, you may be eligible to claim on your GST/HST return an ITC for 30% of the GST paid or payable on your monthly operating expenses that are not directly attributable to a particular activity. The balance of GST that is not eligible for an ITC qualifies for a 100% rebate.

GST paid	\$50	
Taxable part: \$50 × 30%	\$15	
ITC		\$15
Exempt part: \$50 × 70%	\$35	
100% rebate		\$35

The method you use to determine the extent that a property or service is used in your commercial activities and in your exempt activities has to be fair and reasonable for your specific circumstances, and you have to use it consistently throughout the fiscal year.

How to apply for the PSB rebate

You can apply for the PSB rebate by using our online services at www.cra.gc.ca/mybusinessaccount or www.cra.gc.ca/representatives.

To file your first rebate application, use Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-government Refund* and if applicable, Form RC7066 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate*, and attach it to your application.

After we process your first rebate application, we will send you Form GST284, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*, and if applicable, Form GST284 SCH, *Provincial Schedule – GST/HST Public Service Bodies' Rebate*, which are personalized versions of Form GST66 and Form RC7066 SCH, for your next application.

Note

You have to send us a paper copy of your rebate application form if you choose **not to file it** electronically, even if you are required to file, or choose to file, your GST/HST return electronically, and have included the rebate amount on **line 111 of your GST/HST return**.

Registrant municipalities

Your municipal rebate can be offset against any net tax you owe on your GST/HST return by claiming the rebate on **line 111**. For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*.

You have up to four years from the due date of your GST/HST return for the claim period in which you made the purchase or incurred the expense to apply for the municipal rebate. You do not have to include original invoices or receipts with the rebate application. However, you have to keep them for six years from the end of the calendar year to which they relate, in case we ask to see them at a later date.

Your branches or divisions may be entitled to file their own GST/HST returns and rebate applications. To do so, each branch or division has to meet certain conditions. For example, each branch or division has to be separately identified by its location or the nature of its activities, and separate books and records must be kept. The head office has to send us a completed Form GST10, *Application or Revocation of the Authorization to File Separate GST/HST Returns and Rebate Applications for Branches or Divisions*.

Non-registrant municipalities

You can file your municipal rebate application every six months (at the end of your second and fourth fiscal quarters). For more information, see Guide RC4034.

You have up to four years from the end of the claim period in which you made a purchase or incurred an expense to claim a rebate for the GST/HST on that purchase or expense.

You can file one rebate application for the municipality as a whole. However, if your municipality has branches or divisions, you can also apply to have the branches or divisions file separate rebate applications. To do so, each branch or division has to meet certain criteria. Each branch or division has to be separately identified by its location or the nature of its activities, and separate books and records must be kept. The head office has to send us a completed Form GST10.

Other rebates available

Property or services removed from a participating province

Amounts claimed (or entitled to be claimed) as a rebate on Form GST495 or GST189 must be deducted from the HST paid or payable by the public service body prior to calculating its PSB rebate.

Tangible personal property

You may be able to claim a rebate of the **provincial part** of the HST you paid on tangible personal property (goods) that you bought in a participating province and remove from the province. A rebate of the amount is not available to the extent that you may otherwise recover the amount, for example by claiming an ITC for the amount.

To qualify for the rebate of the **provincial part** of the HST that you paid on eligible goods that you bought in a participating province, you have to meet **all** of the following conditions:

- you are a resident of Canada;
- you bought the goods for consumption, use, or supply exclusively (generally 90% or more) outside the participating province;
- you removed the goods from the participating province to a non-participating province or a participating province with a lower HST rate no later than 30 days after they were delivered to you (excluding any amount of time that the goods were in storage);
- you paid any applicable provincial sales tax of the province to which the goods were removed and any other applicable taxes;
- you file the rebate application no later than one year after the day you remove the goods from the participating province;
- each receipt for an eligible good shows an eligible amount of tax of at least \$5; and
- the total amount of eligible tax is at least \$25.

You **cannot** file more than one rebate application in a calendar month.

The following goods **are not eligible** for this rebate:

- excisable goods such as liquor; and
- most gasoline, diesel fuel, and certain other types of fuel.

To apply for this rebate, use Form GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*. The form describes the documentation that is required to support your rebate claim.

Intangible personal property and services

You may be eligible for a rebate of the **provincial part** of the HST payable on intangible personal property (such as goodwill, contractual rights, trademarks and intellectual property) or services you acquire in a participating province for consumption, use, or supply, in whole or in part, in non-participating provinces or in participating provinces with lower HST rates. A rebate of the amount is not available to the extent that you may otherwise recover the amount, for example by claiming an ITC for the amount.

Generally, the rebate is calculated by multiplying the eligible amount of the **provincial part** of the HST payable by the percentage to which the intangible personal property or service is acquired for consumption, use, or supply outside the participating province.

To qualify for the rebate of the **provincial part** of the HST on intangible personal property or a service you acquired in a participating province, you have to meet **all** of the following conditions:

- you are a resident of Canada;
- the intangible personal property or service is acquired for consumption, use, or supply significantly (10% or more) in non-participating provinces or participating provinces with lower HST rates;
- you file the rebate application no later than one year after the day the tax became payable;
- each receipt for eligible intangible personal property or eligible service show an eligible amount of tax of at least \$5; and
- the total amount of eligible tax is at least \$25.

You **cannot** file more than one rebate application in a calendar month.

To apply for the rebate, use Form GST189, *General Application for Rebate of GST/HST*. The form describes the documentation that is required to support your rebate claim.

For more information on these rebates, see Guide RC4033, *General Application for GST/HST Rebates*.

Purchases of printed books

You may qualify for the 100% rebate of the GST and the federal part of the HST paid or payable on printed books, audio recordings of printed books, and printed versions of religious scriptures purchased **other than for resale**.

For this rebate, **printed books** do not include certain items such as the following:

- newspapers;
- magazines and periodicals that are not purchased by subscription or that have more than 5% of their printed space devoted to advertising;
- books designed primarily for writing or drawing on;
- brochures or pamphlets;
- agendas and calendars;
- directories; and
- rate books (for example, insurance rate books).

You qualify for this rebate if you meet **all** the following conditions:

- you are a municipality; and
- the printed books, audio recordings of printed books, and printed versions of religious scriptures are not bought for resale.

In addition, a charity, or qualifying non-profit organization that operates a public lending library is eligible for this rebate. A charity or qualifying non-profit organization, whose primary purpose is promoting literacy, is also eligible for this rebate if it meets certain requirements.

If a municipality qualifies for the book rebate for the GST and for the federal part of the HST, it must claim this rebate separately from its public service bodies' rebate. The municipality may claim both rebates using the same rebate application: (for example, Form GST66, *Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund*).

However, it must allocate the amount it is claiming as a municipality and the amount it is claiming as a federal book rebate to the appropriate lines in Part D of the form. The municipality cannot claim a municipal rebate for the GST/HST it paid on books if it would be entitled to claim the federal book rebate.

For more information, see Guide RC4034, *GST/HST Public Service Bodies' Rebate*, or GST/HST Memorandum 13.4, *Rebates for Printed Books, Audio Recordings of Printed Books, and Printed Versions of Religious Scriptures*.

Provincial point-of-sale rebates

Participating provinces provide a point-of-sale rebate of the provincial part of the HST payable on qualifying items. When vendors provide point-of-sale rebates for the provincial part of the HST, they only collect the 5% federal part of the HST payable on the sale of these items.

Following items qualify for the point-of-sale rebate:

British Columbia (July 2010 to March 2013)	Books*, children's clothing and footwear, children's diapers, children's car seats, feminine hygiene products, and motor fuels
New Brunswick and Newfoundland and Labrador	Books*
Nova Scotia	Books*, children's clothing and footwear, and children's diapers
Ontario	Books*, children's clothing and footwear, children's diapers, children's car seats, qualifying newspapers, and qualifying food and beverages
Prince Edward Island	Books*, children's clothing and footwear, and qualifying heating oil
*Books, for the point-of-sale rebate, include audio books, but not e-books, newspapers, magazines, catalogues, colouring books, agendas, etc.	

A vendor's ability to claim ITCs would not be affected by crediting purchasers for the point-of-sale rebate. If the vendor does not credit the point-of-sale rebate, the purchaser may be able to apply for a rebate of the provincial part of the HST using Form GST189, *General Application for Rebate of GST/HST*.

You can only claim a public service bodies' rebate of the **federal** part of the HST on these items. If HST taxable items and provincial point-of-sale rebate items are included on the same purchase invoice, you have to separate the **federal** part of the HST and the **provincial** part of the HST paid on that invoice in order to calculate the amounts on which the federal and provincial (if applicable) rebates can be claimed.

For a detailed description of the qualifying items and more information on point-of-sale rebate, go to www.cra.gc.ca/gsthst, and see the following publications:

- GST/HST info sheet GI-060, *Harmonized Sales Tax for Ontario - Point-of-Sale Rebate on Newspapers*;
- GST/HST info sheet GI-061, *Harmonized Sales Tax for British Columbia - Point-of-Sale Rebate on Motor Fuels*;
- GST/HST info sheet GI-062, *Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia - Point-of-Sale Rebate on Feminine Hygiene Products*;
- GST/HST info sheet GI-063, *Harmonized Sales Tax for Ontario, British Columbia and Nova Scotia - Point-of-Sale Rebate on Children's Goods*;
- GST/HST info sheet GI-064, *Harmonized Sales Tax for Ontario - Point-of-Sale Rebate on Prepared Food and Beverages*;
- GST/HST info sheet GI-065, *Harmonized Sales Tax for Ontario and British Columbia - Point-of-Sale Rebate on Books*;
- GST/HST Info Sheet GI-169, *Point-of-Sale Rebate on Heating Oil*; and
- Guide RC4033, *General Application for GST/HST Rebates* ("reason code 16").

How to account for point-of-sale rebates

If you are a registrant supplier that pays or credits the rebate amount at the point of sale, you can account for the rebate amount on your GST/HST return in **one** of the following two ways:

- show the total HST collected or collectible. If you are filing electronically, include the total HST collected or collectible in your **line 105** calculation and claim an adjustment for the rebate amount you paid or credited in your **line 108** calculation. If you are filing a paper GST/HST return, show the total HST on **line 103** and claim an adjustment for the rebate amount on **line 107**; or
- show the net amount of the HST collected or collectible. If you are filing electronically, include only the federal part (5%) of the HST collected or collectible in your **line 105** calculation and do not claim an adjustment for the rebate amount paid or credited in your **line 108** calculation. If you are filing a paper GST/HST return, show the net amount by including only the federal part (5%) of the HST on **line 103** and do **not** make an adjustment for the rebate amount on **line 107**.

For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Rebate for sales of capital personal property by a non-registrant municipality

Municipalities and designated municipalities that are not registrants may claim a rebate of tax when they make a taxable sale of capital personal property, of designated municipal property that is capital property. The rebate is equal to the lesser of the basic tax content (defined on page 6) of the property at that time, or the tax that is, or would have been payable if there was not a tax-free rollover of the property.

Claim the rebate by sending us a completed Form GST189 using Code 7. The application must be filed within two years after the day the amount payable on the sale became due or was paid.

Special quick method of accounting

The special quick method is another accounting option available to eligible municipalities and designated municipalities that are GST/HST registrants. This method reduces paperwork and makes it easier to calculate the GST/HST remittances and file GST/HST returns because it eliminates the need to keep track of the actual GST/HST paid on purchases, or to separate purchases that are for commercial activities versus those for making exempt supplies.

When you use the special quick method, you still collect the GST/HST on the property or services you supply. However, to calculate the amount of the GST/HST to be remitted, multiply the amount of your GST/HST included supplies for the reporting period by the remittance rate, or rates, that apply in your situation.

The special quick method remittance rates are less than the applicable rate of tax that you collect. This means that you remit only part of the tax you collect. Since you cannot claim ITCs on most of your purchases when you use this method, the part of the tax that you keep accounts for the approximate value of the ITCs you would normally have claimed.

Note

Whether the special quick method will be more beneficial for you to use than the regular method depends on your specific situation.

Remittance rates for municipalities using the special quick method vary according to the place of supply and the province in which the municipality is located. If all or substantially all (more than 90%) of the supplies are made either within or outside a participating province, you can use one remittance rate.

Using the special quick method does not affect the municipality's entitlement to a public service bodies' rebate. A municipality that has elected to use this method is entitled to claim a rebate for the GST or the federal part of the HST paid or payable on all eligible purchases made during the claim period for which it cannot claim ITCs. Also, a municipality using this method that qualifies for a rebate for the provincial part of the HST will claim it in the usual way.

For more information, see Guide RC4247, *The Special Quick Method of Accounting for Public Service Bodies*.

How to elect to use the special quick method

You can use the special quick method whether you file GST/HST returns monthly, quarterly, or annually. Elect to use this method by filing Form GST287, *Election or Revocation of the Election by Public Service Bodies to Use the Special Quick Method of Accounting*.

If you file monthly or quarterly GST/HST returns, you have to make your election on or before the due date of the return in which you begin using the special quick method.

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

If you have branches or divisions, your election to use this method will apply to all of your branches or divisions, whether or not they file separate GST/HST returns. Once you decide to use the special quick method, you have to use it for at least one year. You can keep using it without having to re-elect as long as you remain eligible.

Capital property

Capital property, for GST/HST purposes, is based on the meaning of the term for income tax purposes and includes:

- depreciable property (property that is eligible for capital cost allowance for income tax purposes); and
- other property that would result in a capital gain or capital loss for income tax purposes if you disposed of it.

Generally, capital property is property you buy for investment purposes or to earn income. It may include:

- real property, such as land or a building;
- personal property such as equipment or machinery that you use in your business;
- photocopiers, computers, and cash registers;
- furniture and appliances used to furnish places such as offices, lobbies, and hotel rooms; and
- free-standing refrigerators, ovens, and other large appliances. Built-in appliances are fixtures that are usually considered to be part of the real property.

Note

Capital property for GST/HST purposes does **not** include property described for income tax purposes in class 12 (such as chinaware, cutlery, or certain tableware), class 14 (certain patents, franchises, concessions, or licences for a limited period), or class 44 (a patent or a right to use patented information for a limited or unlimited period). To claim ITCs for these items based on the rules for operating expenses, see “General operating expenses” on page 22.

Claiming ITCs on capital property

As a GST/HST registrant and public service body, you do not apportion the GST/HST paid or payable on acquisitions of capital property between commercial activities and the making of exempt supplies. Instead, you have to use the **primary use rule**. Under this rule, you can claim a full ITC on the acquisition or importation of capital property if you intend to use it **primarily** (more than 50%) in your commercial activities.

If you intend to use the capital property 50% or less in commercial activities, you cannot claim ITCs but you may be eligible for the 100% municipal rebate of the GST and the federal part of the HST paid or payable. If you are a municipality in New Brunswick, Newfoundland and Labrador (as of January 1, 2016), Nova Scotia, or Ontario, you may also claim a municipal rebate of the provincial part of the HST for these expenses. (As British Columbia was a participating province from July 1, 2010 until March 31, 2013, as a municipality in British Columbia, you may also be eligible to claim a rebate for the provincial part of the HST paid or payable that relates to that period.)

Note

Designated municipalities must allocate expenses between their designated activities and their other activities, and apportion their rebate claim accordingly.

Supplies of capital personal property

Capital personal property includes items such as office furniture, equipment, and computers, but does not include real property. Most supplies of capital personal property made by a municipality are taxable and, if the municipality is a registrant, it has to collect tax on such a supply.

Non-registrant municipalities that are small suppliers have to collect tax on taxable **sales** of capital personal property. However, they do not have to collect tax on leases or other supplies of capital personal property. As well, a non-registrant small supplier that is a designated municipality has to collect tax on a taxable sale of designated municipal property that is capital property of the person.

Supplies of real property

Sales

Most sales of real property made by a municipality are taxable; as are most sales of designated real property made by a designated municipality (certain sales of housing remain exempt). A municipality or designated municipality has to collect and remit tax on its taxable sales of real property, whether or not it is a GST/HST registrant, **unless** the following applies:

- the purchaser is registered for the GST/HST and, in the case where the purchaser is an individual, the property is neither housing nor supplied as a cemetery plot or place of burial, entombment or deposit of human remains or ashes; or
- the municipality and the purchaser jointly elect (using Form GST22, *Real Property – Election to Make Certain Sales Taxable*) to make taxable an otherwise exempt sale of housing.

Under these circumstances, the municipality does not collect the tax payable. The responsibility shifts to the purchaser to report and remit the GST/HST. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Note

Where a municipality makes a taxable sale of housing to an individual, the municipality has to collect and remit the GST/HST on that sale, whether the individual purchaser is registered or not.

For British Columbia and Ontario, a taxable sale of real property other than housing will be subject to the applicable HST rate if both ownership and possession of the property are transferred after June 2010.

Note

The HST will not apply, and the GST will apply, in British Columbia if both ownership and possession of such real property transfer after March 2013. For more information, see GST/HST Notice 276, *Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing*.

For Prince Edward Island, a taxable sale of real property other than housing will be subject to the HST if both ownership and possession of the property are transferred after March 2013.

For more information, see GST/HST Notice 279, *Harmonized Sales Tax for Prince Edward Island (P.E.I.) – Questions and Answers on Transitional Rules for Housing and Other Real Property Situated in P.E.I.*

Leases

Most leases and other supplies of real property made by a municipality are taxable supplies, as are most leases and other supplies of designated real property made by a designated municipality (certain supplies of housing remain exempt). However, it is only registrant municipalities and registrant designated municipalities that have to collect and remit tax on these taxable supplies.

For information on the HST transitional rules for the lease of real property in Prince Edward Island, see GST/HST Notice 279, *Harmonized Sales Tax for Prince Edward Island (P.E.I.) - Questions and Answers on Transitional Rules for Housing and Other Real Property Situated in P.E.I.*

For more information on the transitional rules on the elimination of the HST as they apply to leases of real property in British Columbia, see GST/HST Notice 276, *Elimination of the HST in British Columbia in 2013 – Transitional Rules for Real Property Including New Housing.*

Change-in-use – Capital real property

The use of real property may change over time. For a municipality, the change-in-use rules that apply to you for capital real property are generally the same as those that apply to you for capital personal property.

Exception

If you have filed an election (using Form GST26) to make taxable certain otherwise exempt sales and leases of particular real property, the change-in-use rules for capital personal property do not apply. Instead, the change-in-use rules for capital real property that apply to corporations and partnerships will apply, but only for the property for which you filed the election. For more information, see Guide RC4022.

If you are a municipality that has not filed an election using Form GST26, you have to apply the change-in-use rules in the following situations:

- Your real property that was used more than 50% in your commercial activities is now used 50% or less in your commercial activities.
- Your real property that was used 50% or less in your commercial activities is now used more than 50% in your commercial activities.

In each situation, you have to determine the **basic tax content** (BTC) of the property when the change occurs.

If you change the use from 50% or less in commercial activities to more than 50% in commercial activities, you can claim an ITC equal to the BTC.

If you change the use from more than 50% in commercial activities to 50% or less in commercial activities, you have to remit an amount equal to the BTC.

Calculating the basic tax content

As a general rule, the BTC formula is as follows:

$$(A - B) \times C$$

A is the GST/HST payable for your last acquisition of the property and for later improvements you made to the property;

B is any rebate or refund you were entitled to claim (or would have been entitled to claim if you had not been entitled to claim an ITC) for the GST/HST payable for your last acquisition of the property and for later improvements you made to it, but not including ITCs you were entitled to claim; and;

C is the **lesser** of:

- 1; and
- the fair market value of the property at the time of the change in use **divided by** the total cost (not including the GST/HST) for your last acquisition of the property and later improvements you made to it.

Changing the use to more than 50% in commercial activities

When you buy capital real property for use 50% or less in your commercial activities, you cannot claim ITCs to recover the GST/HST paid or payable. However, if you later change the use of the property to more than 50% in your commercial activities, we consider you to have purchased the property and to have paid the GST/HST at that time. This means you can claim an ITC, equal to the BTC of the property at the time of the change in use, by including this amount in your **line 108** calculation if you are filing electronically or on **line 106** if you are filing a paper GST/HST return.

This generally means that you can recover all or part of the GST/HST you paid when you bought the property and any later improvements to the property.

Note

If you later change the use again and begin to use the property 50% or less in your commercial activities, you may have to pay all or part of the GST/HST that you claimed, or were entitled to claim, as an ITC. For more information, see “Changing the use to 50% or less in commercial activities” below.

Changing the use to 50% or less in commercial activities

When you buy capital real property for use more than 50% in your commercial activities, you can claim an ITC to recover the GST/HST you paid, or that was payable, on your purchase. However, if you change the use of the property from more than 50% in your commercial activities to 50% or less in your commercial activities, you are considered to have sold the property and to have collected the GST/HST on that later sale.

The tax you are considered to have collected is equal to the BTC of the real property at the time of the change-in-use and has to be included in your net tax calculation when you file your GST/HST return for the reporting period in which the change-in-use occurred.

This generally means that you have to repay all or part of the GST/HST you claimed, or were entitled to claim, as an ITC when you bought the property and when you made any improvements to it.

Note

If you later change the use again and begin to use the property more than 50% in your commercial activities, you may be entitled to claim an ITC. For more information, see “Changing the use to more than 50% in commercial activities” above.

Self-supply rules for builders of social housing

Special self-supply rules apply to a builder (including a municipality or designated municipality) that builds or substantially renovates housing, or builds an addition to multiple unit housing if 10% or more of the residential units in the housing are intended to be leased to seniors, youths, students, individuals with a disability, individuals in distress or in need of assistance, or individuals whose eligibility for a unit is based on a means or income test.

During the construction phase, you can register for the GST/HST and claim ITCs for the GST/HST paid or payable on property and services you acquire.

Under the self-supply rules, when you first give possession or use of a residential unit in the housing under a lease, licence, or similar arrangement to an individual for use as a place of residence, you are considered to have made a taxable sale of the housing and you, as the builder, have to calculate and account for the GST/HST based on **the greater of** the following:

- the GST/HST on the fair market value of the housing including the land that forms part of the housing (see also “Self-supply in British Columbia, Ontario, or Prince Edward Island” on this page); and
- the total of all the GST/HST paid or payable for the construction of the housing, the acquisition of the land that forms part of the housing, and any improvements to it.

Example

You are a municipality that is registered for the GST/HST. You construct multiple unit housing in Alberta to make long-term residential rentals and you intend to supply 40% of the residential units in the housing to low-income individuals. The housing’s fair market value is less than the cost to construct it.

When you first give possession or use of a unit in the building to an individual as a place of residence, you are considered to have made a taxable sale of the building and the related land (self-supply) and you have to calculate and account for the GST on that sale. In this case, you are considered to have collected GST equal to the total of all of the GST payable for the construction of the building, the purchase of the land that relates to the housing, and any improvements to it, since the fair market value of the housing is less than the total of these costs. The GST you are considered to have collected is included in determining your net tax. Any positive amount of net tax must be remitted.

Self-supply in British Columbia, Ontario, or Prince Edward Island

If the self-supply occurs in British Columbia or in Ontario before July 2010, you would be considered to have collected the GST at 5% on the self-supply.

If the self-supply occurs in British Columbia or in Ontario after June 2010, you would be considered to have collected the HST at the applicable rate.

Note

The HST will not apply, and the GST will apply, in British Columbia where the self-supply occurs after March 2013.

If the self-supply occurs in Prince Edward Island before April 2013, you would be considered to have collected the GST at 5% on the self-supply.

If the self-supply occurs in Prince Edward Island after March 2013, you would be considered to have collected the HST at the rate of 14%.

For more information on the HST transitional rules regarding the taxable sale of newly constructed or substantially renovated housing in Prince Edward Island, see GST/HST Notice 279, *Harmonized Sales Tax for Prince Edward Island (P.E.I.) - Questions and Answers on Transitional Rules for Housing and Other Real Property Situated in P.E.I.*

For more information on your GST/HST obligations and entitlements as a builder, see Guide RC4052, *GST/HST Information for the Home Construction Industry*.

Expropriation

A municipality might, while acting as an authority of the province, expropriate real property of one of its residents for its own use. This might occur, for example, where a municipality intends to open or expand a highway and needs the surrounding non-municipal land to accomplish this.

Generally, the transfer of ownership that occurs when real property is expropriated by a municipality is considered to be a sale for GST/HST purposes, whether the transfer is voluntary or not. The tax status of the expropriated property depends on who sells the property (such as an individual, or a corporation), and the type of real property expropriated (for example, vacant land or housing). If you have to pay the GST/HST on the expropriation of real property, see “Input tax credits” on page 19 or “GST/HST public service bodies’ rebate” on page 20 for your ITC or rebate eligibility.

Seizures and repossessions

When a municipality seizes or repossesses personal or real property (other than property under a lease, licence, or similar arrangement) from a person to satisfy a debt or other obligation, the GST/HST does not apply to the transfer of the property to the municipality resulting from the seizure or repossession.

Example

A resident of a municipality fails to pay his municipal taxes and the municipality seizes the property. The GST/HST does not apply to the transfer of the property from the resident to the municipality.

Where a municipality causes a supply of property (as in a power of sale) to satisfy a debt owing by a debtor, this is also considered to be a seizure or repossession.

When a municipality causes the sale of property, usually by way of an auction, for unpaid municipal taxes, two separate transactions take place at the time of sale:

- the debtor transfers the property to the municipality (GST/HST does not apply to the transfer); and
- the municipality sells the property to a purchaser (GST/HST applies where the sale is taxable). For more information, see “Supplies of real property” on page 27.

Redemption of property

Where a municipality seizes and sells property of a debtor, the debtor might have a legal right to buy back the property (a right of redemption), usually within a certain period of time. Special rules apply to the redemption if the sale of the property between the municipality and the purchaser was taxable.

Example

A buyer at an auction buys the seized real property of a debtor for an amount, plus the GST. Under the applicable law, the original debtor has the right to redeem the property within a certain period of time, and does so. The redemption of the property by the original debtor is considered to be a sale by the auction buyer for no cost. The debtor is considered not to have ever sold the property or to have re-acquired it. If the debtor reimburses the auction buyer or the municipality the tax that the buyer paid on buying the property, we consider the debtor to have paid tax in error equal to the reimbursed tax amount, and the debtor can claim a rebate for tax paid in error for the amount.

For more information, see GST/HST Policy Statement P-198, *Unpaid Municipal Taxes and Redemption by the Previous Owner*.

Special issues

Amalgamation of municipalities

Where two or more incorporated municipalities merge, or amalgamate to form one new incorporated municipality, the newly formed municipality is generally treated for GST/HST purposes as a separate person from each of the former municipalities. There are exceptions to this rule. For more information, see “History of predecessor municipalities” on this page.

Is new registration required?

If you, as the newly amalgamated municipality, make taxable supplies of property and services in Canada, you have to register for the GST/HST, unless you are a small supplier (see “Should you register?” on page 13).

The former municipalities generally have to cancel their GST/HST registrations and file their returns up to the day before the date of amalgamation. Any branch or division accounts must also be cancelled under their old business numbers (BNs). You may apply for new branch or division accounts under the newly amalgamated municipality’s BN.

To simplify matters, we may permit a new municipality to keep the BN of one of its predecessors.

Updating elections

Most elections in effect under the former municipalities do not transfer over to the new municipality. So in most cases, the newly amalgamated municipality must re-elect.

Note

Where two or more municipalities merge or amalgamate and any of the predecessor municipalities had an election in effect to use the special quick method, the election continues to be in effect as long as the newly amalgamated municipality is incorporated and meets all of the eligibility requirements for using this method.

History of predecessor municipalities

Although the new municipality is deemed to be a person separate from its predecessor municipalities for most GST/HST purposes, certain GST/HST entitlements or obligations of the new municipality are determined based on the history of its predecessors.

We consider the new municipality to be the same as, or a continuation of, each of the former municipalities, regarding real property purchased by the predecessors. For example, the basic tax content of the predecessors’ real property immediately before the amalgamation become the basic tax content of the new municipality’s real property immediately after the amalgamation.

In addition, the new municipality is considered to be a continuation of each of its predecessors for:

- determining ITC entitlements for the GST/HST paid on property and services purchased by a predecessor;
- bad debt adjustment – once a debt becomes bad, and you have written it off in your books, you may be able to recover some of the tax you previously remitted on the original supply;
- the threshold amounts used for determining reporting periods – the threshold amount will be based on the combined supplies of the predecessor municipalities; and
- prescribed purposes.

Transferring of assets and property to the newly amalgamated municipality

The transfer of any assets by a predecessor to the newly amalgamated incorporated municipality due to the amalgamation is not a supply and is not subject to the GST/HST.

Municipal designation or determination

If a predecessor organization was designated or determined to be a municipality, the newly amalgamated organization has to apply for a new municipal designation or determination. For more information, see “Who qualifies as a municipality?” on page 9.

Cost-sharing arrangements

Cost sharing is a common way for two or more municipalities to share costs when buying third-party services, or when jointly operating programs such as 911 dispatch services or a recreational centre. This arrangement generally involves sharing the costs of expenses such as office space, employee wages, and utilities.

In a typical cost-sharing arrangement, one of the members of the group acts as an **administrator**, handling the day-to-day operating duties such as buying property and services from third parties and paying the shared wages and benefits of employees. The administrator pays all of the costs initially, and receives reimbursement of their share of the costs from the other members of the group.

The tax status of the various supplies under a cost-sharing arrangement depends on the nature of the relationship between the administrator and the other members of the arrangement.

Non-taxable reimbursements

If the administrator is acting as an **agent** of the other members, we generally do not consider the reimbursements to be made as payment for a supply of property or services. The administrator does not charge the GST/HST on the amounts reimbursed by the other members of the group.

If the administrator is **not** acting as an agent for the other members of the arrangement, there is a **supply** of the property or services by the administrator to the other members of the group. The tax status of that supply depends on the nature of the good or service being supplied by the administrator, and whether or not the supply is exempt. If the supply is not exempt, the property or services are taxable.

Municipal officers' allowance

When you pay a non-accountable allowance to a municipal officer for expenses (all or substantially all of which are taxable at applicable rate of tax) that they incur in Canada, or for the use of a motor vehicle in Canada, you may be eligible to claim a GST/HST municipal rebate on the allowance.

You can claim the rebate if the following conditions are met:

- the allowance is reasonable (for example, where the municipal officer regards the allowance as being enough to cover the actual expenses for which the allowance was paid);
- the allowance is not included when determining the officer's income for income tax purposes; and
- the allowance is used for supplies purchased in Canada (which are all or substantially all taxable, other than zero-rated), or for the use of a motor vehicle in Canada, for the activities of the municipality.

We consider the municipality, not the municipal officer, to have received a supply and to have paid GST/HST equal to 5/105, 12/112, 13/113, 14/114, or 15/115 of the amount of the allowance. Accordingly, you can claim a 100% municipal rebate of the GST or the federal part of the HST deemed to have been paid on the allowance.

In addition, you can claim a rebate for a percentage of the provincial part of the HST deemed to have been paid on the allowance if you are located in the following participating provinces:

- British Columbia (75% of the provincial part);
- New Brunswick (57.14% of the provincial part);
- Newfoundland and Labrador (for tax deemed to have been paid in 2016, 25% of the provincial part, and for tax deemed to have been paid on or after January 1, 2017, 57.14% of the provincial part);
- Nova Scotia (57.14% of the provincial part); and
- Ontario (78% of the provincial part).

Note

Designated municipalities must allocate expenses between their designated activities and their other activities, and apportion their rebate claim accordingly.

Example

A municipality in Manitoba pays the mayor \$60,000 annually, which includes a non-accountable expense allowance of \$20,000 authorized by the provincial *Municipal Act*. The allowance is a limited and predetermined payment made by the municipality to allow the mayor to defray the expenses associated with the mayor's office. The mayor is not accountable to the city council for how the money is used, nor does the mayor have to provide receipts or documentation to show how the money is spent. The municipality can claim a municipal rebate of the tax it is considered to have paid for the allowance.

You calculate the amount you are considered to have paid on the allowance as follows:

GST determined on the allowance:
 $\$20,000 \times 5/105 = \952.38

Grants and subsidies

As a municipality, you may provide or receive grants, contributions, subsidies, and similar payments.

Often referred to as transfer payments, these are given for many different reasons ranging from a simple contribution made to a small non-profit organization, to major government-funded projects. Usually, when a transfer payment is made in the public interest or for charitable purposes, the payment is not consideration for a supply and the GST/HST does not apply on the payment.

However, if there is a direct link between a transfer payment made by the grantor and a taxable supply made by the recipient of the payment (including where the property or service is provided to a specified third party), the transfer payment may be taxable, and the GST/HST may need to be collected on the amount.

The application of the GST/HST to transfer payments is determined on a case-by-case basis. For more information, see Technical Information Bulletin, B-067, *Goods and Services Tax Treatment of Grants and Subsidies*.

Online services

Handling business taxes online

Save time using the CRA's online services for businesses. You can:

- authorize a representative, an employee, or a group of employees, who has registered with Represent a Client, for online access to your business accounts;
- request or delete authorization online through Represent a Client, if you are a representative;
- register for online mail, get email notifications, and view your mail online;
- calculate a balance that includes interest calculated to a future date;
- authorize the withdrawal of a pre-determined amount from your bank account;
- transfer payments and immediately view updated balances;

- enrol for direct deposit, update banking information, and view direct deposit transactions;
- change addresses;
- view answers to common enquiries, and if needed, submit account related enquiries; and
- do much more.

To register or log in to our online services, go to:

- www.cra.gc.ca/mybusinessaccount, if you are a business owner; or
- www.cra.gc.ca/representatives, if you are an authorized representative or employee.

For more information, go to www.cra.gc.ca/businessonline.

For more information

What if you need help?

If you need more information after reading this guide, go to www.cra.gc.ca/gsthst or call 1-800-959-5525.

Direct deposit

Direct deposit is a faster, more convenient, and secure way to get all amounts deposited into one account or to have refunds and rebates from different programs deposited into different accounts. For more information, go to www.cra.gc.ca/directdeposit.

Forms and publications

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

Teletypewriter (TTY) users

TTY users can call 1-800-665-0354 for bilingual assistance during regular business hours.

Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the *Taxpayer Bill of Rights*.

If you are not satisfied with the service you received, try to resolve the matter with the CRA employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to www.cra.gc.ca/contact.

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

If you are still not satisfied, you can file a service complaint by filling out Form RC193, *Service-Related Complaint*.

If the CRA has not resolved your service-related complaint, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

For more information, go to www.cra.gc.ca/complaints or see Booklet RC4420, *Information on CRA – Service Complaints*.

Reprisal complaint

If you believe that you have experienced reprisal, fill out Form RC459, *Reprisal Complaint*.

For more information about reprisal complaints, go to www.cra.gc.ca/reprisalcomplaints.