



Non-creditable Tax Charged

This memorandum helps a public service body determine which amounts of GST/HST it may include in the non-creditable tax charged for the purpose of calculating its public service bodies' rebate claim.

All legislative references in this publication are to the *Excise Tax Act* (the Act) unless otherwise specified. The information in this publication does not replace the law found in the Act and its regulations.

If this information does not completely address your particular situation, you may wish to refer to the Act or relevant regulation, or call GST/HST Rulings at 1-800-959-8287 for additional information. If you require certainty with respect to any particular GST/HST matter, you may request a ruling. GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*, explains how to obtain a ruling or an interpretation and lists the GST/HST rulings centres.

If you are located in Quebec and wish to request a ruling related to the GST/HST, please call Revenu Québec at 1-800-567-4692. You may also visit the Revenu Québec website at revenuquebec.ca to obtain general information.

For listed financial institutions that are selected listed financial institutions (SLFIs) for GST/HST or Quebec sales tax (QST) purposes or both, whether or not they are located in Quebec, the CRA administers the GST/HST and the QST. If you wish to make a technical GST/HST or QST enquiry related to SLFIs, please call 1-855-666-5166.

GST/HST Rates

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario; and 15% in New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, 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*.

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La version française de la présente publication est intitulée *Taxe exigée non admise au crédit*.



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Meaning of significant terms

1. Pursuant to its definition in subsection 259(1), the “claim period” of a person at any time means
 - (a) where the person is at that time a registrant, the reporting period of the person that includes that time, and
 - (b) in any other case, the period that includes that time and consists of either
 - (i) the first and second fiscal quarters in a fiscal year of the person, or
 - (ii) the third and fourth fiscal quarters in a fiscal year of the person.

2. “Participating province” means a province that has harmonized its provincial sales tax with the GST to implement the 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) are carried on in that area.

3. “Public service body” and “PSB”, for the purpose of this memorandum means:
 - a qualifying non-profit organization (qualifying NPO),
 - a charity,
 - a municipality (including a determined municipality or a designated municipality),
 - a school authority that is established and operated otherwise than for profit,
 - a university that is established and operated otherwise than for profit,
 - a public college that is established and operated otherwise than for profit,
 - a hospital authority,
 - an external supplier, and
 - a facility operator.

4. “Resident”, for the purposes of the public service body (PSB) rebate, means “resident in a province”. For more information, refer to GST/HST Info Sheet GI-121, *Determining Whether a Public Service Body is Resident in a Province for Purposes of the Public Service Bodies’ Rebate*.

Overview

5. A PSB may be able to recover a percentage of the GST and the federal part of the HST paid or payable on its eligible purchases and expenses by claiming a PSB rebate.¹
6. A PSB resident in a participating province may also be able to claim a PSB rebate to recover a percentage of the provincial part of the HST paid or payable on its eligible purchases and expenses.
7. The PSB rebate calculation is based on the “non-creditable tax charged” in respect of property or a service for a claim period. Generally, non-creditable tax charged is the GST/HST paid or payable on an eligible purchase or expense that a PSB cannot recover in any other way other than by claiming the PSB rebate. This memorandum will assist a PSB in determining which amounts are included in the calculation of the non-creditable tax charged in respect of property or a service for a claim period.
8. The GST/HST paid or payable on supplies of property and services is generally required to be collected by the supplier. However, there are some situations where this is not the case and the recipient of the supply would be required to calculate the GST/HST it owes on a supply and remit any GST/HST owing on the supply directly to the Canada Revenue Agency (CRA). This is known as “self-assessment”. Some self-assessed amounts may be included in the PSB rebate calculation.
9. The non-creditable tax charged in respect of property or a service for a claim period is defined in subsection 259(1) and is generally equal to the total GST/HST that became payable during a claim period or that was paid during a claim period without having become payable, minus the following amounts:
 - any input tax credits the PSB claimed or is entitled to claim for any of that GST/HST;
 - any rebate, refund, or remission of any of that GST/HST that it is reasonable to expect the PSB received or is entitled to receive under any other section of the Act or under any other Act of Parliament;
 - any amount of that GST/HST that is refunded, credited, or adjusted in the PSB’s favour and for which it has either received a credit note from the supplier or has issued a debit note to the supplier.
10. Subsections 259(3) and (4) provide rebates to PSBs of a percentage of the non-creditable tax charged.
11. The GST/HST paid or payable by a PSB on a prescribed property or service is excluded in subsections 259(3) and (4) from the PSB rebate calculation. Subsection 4(1) of the *Public Service Body Rebate (GST/HST) Regulations* lists the prescribed property and services for purposes of section 259. Prescribed property or services are not eligible for the PSB rebate; therefore, it is not necessary for a PSB to determine the amount of non-creditable tax charged in respect of a prescribed property or service.
12. For more information on claiming a PSB rebate and the types of organizations that qualify for the PSB rebate, refer to Guide RC4034, *GST/HST Public Service Bodies’ Rebate*.

¹ Several First Nations have passed a law imposing a First Nations Goods and Services Tax (FNGST) on their lands and have entered into a tax administration agreement concerning the FNGST. The FNGST is a 5% tax on taxable supplies of goods and services on certain First Nations lands. Generally, the same goods and services taxable under the GST/HST are taxable under the FNGST. When the FNGST applies to a supply, the GST, or the federal part of the HST, does not.

The Canada Revenue Agency administers the FNGST for the First Nations. Generally, the same rules apply to FNGST as to GST/HST when claiming PSB rebates.

Definition of “non-creditable tax charged”

13. As defined in subsection 259(1), “non-creditable tax charged” in respect of property or a service for a claim period of a person means the amount, if any, by which

- (a) the total of all amounts each of which is,
 - (i) tax in respect of the supply (see paragraphs 27 and 28 of this memorandum), importation (see paragraphs 29 to 39), or bringing into a participating province (see paragraphs 40 to 50), of the property or service that became payable by the person during the period or that was paid by the person during the period without having become payable (other than tax deemed to have been paid by the person or in respect of which the person is, by reason only of section 226 (see paragraph 17), not entitled to claim an input tax credit),
 - (ii) tax deemed under subsection 129(6) (see paragraph 55), 129.1(4) (see paragraph 56), 171(3) (see paragraph 58), or 183(4) (see paragraph 62), or section 191 (see paragraphs 65 to 67), to have been collected during the period by the person in respect of the property or service,
 - (ii.1) where the person is not a charity to which subsection 225.1(2) applies, tax deemed under subsection 183(5) (see paragraph 63) or 183(6) (see paragraph 64) to have been collected during the period by the person in respect of the property or service,
 - (iii) tax, calculated on the amount of an allowance in respect of the property or service, that is deemed under section 174 (see paragraphs 68 and 69) to have been paid during the period by the person,
 - (iv) tax deemed under section 175 (see paragraphs 70 to 72) or 180 (see paragraphs 51 and 52) to have been paid during the period by the person in respect of the property or service, or
 - (v) an amount in respect of the property or service that is required under subsection 129(7) (see paragraph 57) or paragraph 171(4)(b) (see paragraphs 59 and 60) to be added in determining the net tax of the person for the period,

exceeds

- (b) the total of all amounts each of which is included in the total determined under paragraph (a) and
 - (i) is included in determining an input tax credit of the person in respect of the property or service for the period (see paragraphs 74 to 79),
 - (ii) for which it can reasonably be regarded the person has obtained or is entitled to obtain a rebate (see paragraphs 80 to 119), refund or remission (see paragraphs 120 to 121), under any other section of the Act or under any other Act of Parliament, or
 - (iii) is included in an amount adjusted, refunded or credited to or in favour of the person for which a credit note referred to in subsection 232(3) has been received by the person or a debit note referred to in that subsection has been issued by the person (see paragraphs 122 to 130).

14. Non-creditable tax charged is calculated on a property by property, service by service basis.

15. The amounts listed in subparagraphs (a)(i) to (v) of the definition of “non-creditable tax charged” in subsection 259(1) will be referred to in this memorandum as “subparagraphs 259(1)(a)(i) - (v)”. The amounts included in subparagraphs (b)(i) to (iii) of the definition of “non-creditable tax charged” in subsection 259(1) will be referred to as “subparagraphs 259(1)(b)(i) - (iii)”.

16. In addition to the amounts described in subparagraphs 259(1)(a)(i) - (v), there are other instances in the Act where a PSB may be deemed to have paid or collected GST/HST; however only those amounts specifically enumerated in the definition of non-creditable tax charged” in subsection 259(1) are included when calculating the non-creditable tax charged in respect of property or service for a claim period.

Amounts excluded from the calculation of non-creditable tax charged

17. Subparagraph 259(1)(a)(i) excludes from the calculation of non-creditable tax charged the GST/HST paid or payable by a PSB that is a registrant in respect of which the PSB is, by reason only of section 226, not entitled to claim an input tax credit. Section 226 denies an input tax credit in circumstances where a PSB that is a registrant acquires beverages in returnable containers for use in its commercial activities and pays a deposit in respect of the returnable containers, a portion of which is non-refundable. The PSB is required to pay tax on the non-refundable portion of the deposit and would otherwise be entitled to an input tax credit for the tax paid, but an input tax credit is denied because of section 226. Since the tax paid by the PSB is excluded from the calculation of non-creditable tax charged, the PSB cannot claim a PSB rebate of this amount.

Determining the non-creditable tax charged

18. The non-creditable tax charged in respect of property or a service in a claim period is the total of subparagraphs 259(1)(a)(i) - (v) minus the total of subparagraphs 259(1)(b)(i) - (iii) (see paragraph 13 of this memorandum).

19. The non-creditable tax charged for a particular claim period only includes GST/HST that became payable during that claim period or that was paid during that claim period without having become payable. GST/HST paid or payable in one claim period generally cannot be included in the non-creditable tax charged for a subsequent claim period.

20. Since a PSB may pay GST and/or HST at different rates in a claim period, the calculation of its non-creditable tax charged can be complex. To calculate the PSB rebate, a PSB must separately determine the non-creditable GST charged/federal non-creditable HST charged and the provincial non-creditable HST charged in respect of the property or service for the claim period. This is necessary because different rebate rates may apply for the PSB rebate of the GST and the federal part of the HST and the PSB rebate of the provincial part of the HST and these rebate amounts are claimed on separate forms. Further, some of the amounts that are included or must be deducted in calculating non-creditable tax charged may apply only to the GST, only to the federal part of the HST, or only to the provincial part of the HST.

21. The definition of “non-creditable tax charged” does not differentiate between the GST and the federal part of the HST and the provincial part of the HST; however, there are other provisions in section 259 and the *Public Service Body Rebate (GST/HST) Regulations* that require the federal and provincial amounts to be separated.

The non-creditable GST charged and the federal non-creditable HST charged

22. Pursuant to subsection 259(4.2), when calculating the PSB rebate of the GST and the federal part of the HST, no provincial amounts can be included in the calculation of non-creditable tax charged. The amount that may be included in the calculation is referred to in this memorandum as “the non-creditable GST charged” or “the federal non-creditable HST charged”.

23. Certain PSBs are required to calculate their PSB rebate in a prescribed manner which is set out in the *Public Service Body Rebate (GST/HST) Regulations*. The calculations of the PSB rebate of the GST and the federal part of the HST set out in the Regulations are based on the “federal qualifying amount”, which is defined in section 2 of the Regulations and corresponds to the non-creditable GST charged and the federal non-creditable HST charged.

The provincial non-creditable HST charged

24. Pursuant to subsection 259(4.21), when calculating the PSB rebate of the provincial part of the HST, no federal amounts can be included in the calculation of non-creditable-tax charged. The amount that may be included in the calculation is referred to in this memorandum as “the provincial non-creditable HST charged”.

25. Certain PSBs are required to calculate their PSB rebate in a prescribed manner which is set out in the *Public Service Body Rebate (GST/HST) Regulations*. The calculations of the PSB rebate of the provincial part of the HST set out in the Regulations are based on the “provincial qualifying amount”, which is defined in section 2 of the Regulations and corresponds to the provincial non-creditable HST charged.

The total tax charged in respect of the property or service

26. The non-creditable tax charged calculation includes the total of all amounts specifically listed in subparagraphs 259 (1)(a)(i) - (v). These amounts are referred to in section 259 as “the total tax charged in respect of the property or service”. Paragraphs 27 to 72 of this memorandum explain which amounts are included in subparagraphs 259(1)(a)(i) - (v) when calculating the non-creditable tax charged in respect of property or a service for a claim period.

Property or a service purchased in Canada

Subparagraph 259(1)(a)(i) of the definition of “non-creditable tax charged”

27. Subsection 165(1) imposes 5% GST or the federal part of the HST on every recipient of a taxable supply (other than a zero-rated supply) made in Canada on the value of the consideration for the supply. In addition, subsection 165(2) imposes the provincial part of the HST at the applicable rate on every recipient of a taxable supply (other than a zero-rated supply) made in a participating province on the value of the consideration for the supply.

28. The amount of tax that became payable, or was paid without having become payable, under subsection 165(1) during the claim period is included in subparagraph 259(1)(a)(i) when calculating the non-creditable GST charged or the federal non-creditable HST charged in respect of property or a service for the claim period. The amount of tax that became payable, or was paid without having become payable, under subsection 165(2) during the claim period is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of property or a service for the claim period.

Example 1 – Property purchased in Canada

In a claim period, a PSB purchases goods in Ontario for \$25,000, on which it pays \$3,250 in HST ($\$25,000 \times 13\%$).

The federal part of the HST paid in respect of the supply of the goods is \$1,250 ($\$3,250 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the goods for the claim period.

The provincial part of the HST paid in respect of the supply of the goods is \$2,000 ($\$3,250 \times 8/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

Goods imported into Canada

Subparagraph 259(1)(a)(i) of the definition of “non-creditable tax charged”

29. Pursuant to section 212, a PSB that imports goods into Canada and is liable under the *Customs Act* to pay duty on such goods, or would be so liable if the goods were subject to duty, must pay tax (GST or the federal part of the HST) at the rate of 5% on the value of the goods to the Canada Border Services Agency (CBSA) at the time of importation, except for goods specified as non-taxable importations. The amount of tax becoming payable or paid under section 212 during the claim period is included in subparagraph 259(1)(a)(i) when calculating the non-creditable GST charged or the federal non-creditable HST charged in respect of the imported goods for the claim period.

30. “Commercial goods”, under subsection 212.1(1), means goods that are imported for sale or for any commercial, industrial, occupational, institutional, or other like use. Pursuant to subsection 212.1(2), a PSB resident in a participating province that imports goods into Canada that are not accounted for as commercial goods under section 32 of the *Customs Act* and is liable under the *Customs Act* to pay duty on imported goods, or would be so liable if the goods were subject to duty, must pay the provincial part of the HST at the tax rate for that province on the value of the goods to the CBSA at the time of importation, except for goods specified as non-taxable importations. The amount of tax paid under subsection 212.1(2) is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the imported goods for the claim period.

31. A PSB that brings goods into a participating province from a place outside Canada that are accounted for as commercial goods under section 32 of the *Customs Act* when imported must self-assess the provincial part of the HST on the value of the goods under subsection 220.07(1). The amount of tax that became payable, or was paid without becoming payable, under subsection 220.07(1) during the claim period is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the imported goods for the claim period.

32. However, subsection 220.07(2) relieves the requirement to self-assess the provincial part of the HST if the goods are for consumption, use or supply exclusively (90% or more) in the course of commercial activities of a PSB that is a registrant, are non-taxable importations, or are a mobile home or floating home that has been used or occupied in Canada as a place of residence for individuals.

33. A PSB that imports a specified motor vehicle into a participating province is generally required to pay the provincial part of the HST on the earlier of the day the PSB registers the vehicle or the day the vehicle is required to be registered. The provincial part of the HST in this case is collected by provincial authorities on behalf of the CRA at the time the vehicle is registered. The amount of tax that became payable, or was paid without becoming payable, during the claim period is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the imported vehicle for the claim period.

34. For GST/HST purposes, a “specified motor vehicle” is defined to generally mean all motor vehicles, other than racing cars, that, if they were imported, would be classified under particular provisions of heading number 87.03 of the *Customs Tariff*, as well as any prescribed motor vehicles (currently there are no prescribed motor vehicles under the Act). Specified motor vehicles would include cars, trucks, trailers, motorcycles, tractors, and special purpose motor vehicles such as tow trucks, mobile cranes, and firefighting vehicles.

35. For more information, refer to Info Sheet GI-119, *Harmonized Sales Tax - New Place of Supply Rule for Sales of Specified Motor Vehicles*.

Example 2 – Goods imported into Canada

In a claim period, a registrant PSB resident in New Brunswick purchases commercial goods in the United States and imports them into New Brunswick for use by the PSB exclusively (90% or more) in its commercial activities in that province. The goods are valued at \$15,000 (including duties), on which the PSB pays \$750 in GST ($\$15,000 \times 5\%$) to the CBSA at the time of importation of the goods.

The GST of \$750 paid in respect of the importation of the goods is included in subparagraph 259(1)(a)(i) when calculating the GST charged in respect of the imported goods for the claim period.

Subsection 220.07(2) relieves the PSB from the requirement to self-assess the provincial part of the HST as the goods are for consumption, use, or supply exclusively in the course of commercial activities of the registrant PSB.

Imported taxable supplies

Subparagraph 259(1)(a)(i) of the definition of “non-creditable tax charged”

36. Under section 217, an “imported taxable supply” means, in part, a taxable supply (other than a zero rated or prescribed supply) of a service, intangible personal property, and certain tangible personal property made outside Canada to a person who is resident in Canada, other than a supply that is acquired for consumption, use, or supply exclusively (90% or more) in the course of commercial activities of the person, or activities that are engaged in exclusively outside Canada by the person and that are not part of a business or an adventure or concern in the nature of trade engaged in by the person in Canada.

37. Pursuant to section 218, a PSB that is a recipient of an imported taxable supply is required to self-assess tax (GST or the federal part of the HST) at the rate of 5% on the value of consideration for the imported taxable supply. The amount of tax paid or payable under section 218 is included in subparagraph 259(1)(a)(i) when calculating the non-creditable GST charged or the federal non-creditable HST charged in respect of the imported taxable supply for the claim period.

38. Pursuant to section 218.1, a PSB resident in a participating province that is the recipient of an imported taxable supply that is the supply of a service or intangible personal property is required to self-assess the provincial part of the HST when the service or intangible personal property is acquired outside Canada for consumption, use, or supply significantly (10% or more) in participating provinces. The amount of tax is to be calculated to the extent (expressed as a percentage) to which the property or service is to be consumed, used, or supplied in each participating province. The amount of tax that became payable, or was paid without having become payable, under section 218.1 during the claim period is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the imported taxable supply for the claim period.

39. In addition, a PSB may, in certain circumstances, be the recipient of an imported taxable supply of tangible personal property or intangible personal property. The PSB is required under section 218.1 to self-assess the provincial part of the HST each time an amount of consideration for the supply becomes due. Generally, in respect of tangible personal property, the amount of tax is to be calculated based on the tax rate for the relevant participating province, and in the case of intangible personal property, the amount of tax is to be calculated generally to the extent (expressed as a percentage) to which the property is to be consumed, used, or supplied in the particular participating province.

Example 3 – Imported supply of a service

During a claim period, a non-registrant PSB resident in Ontario is the recipient of a taxable supply of consulting services made outside Canada by a non-registrant supplier resident in the United States for

\$10,000. The consideration for the services becomes payable during that period. The consulting services are supplied to the PSB for use by the PSB exclusively in exempt activities in Ontario.

The PSB is required to self-assess tax at the rate of 5% on the value of the consideration for the supply of the consulting services. The PSB self-assesses the amount of \$500 ($\$10,000 \times 5\%$) on Form GST59, *GST/HST Return for Imported Taxable Supplies, Qualifying Consideration, and Internal and External Charges*. This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the consulting services for the claim period.

The PSB is also required to self-assess tax at the rate of 8% on the value of the consideration for the consulting services (8% being the provincial part of the HST in Ontario). The PSB self-assesses the amount of \$800 ($\$10,000 \times 8\%$) on form GST59, *GST/HST Return for Imported Taxable Supplies and Qualifying Consideration*. This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the consulting services for the claim period.

Tangible personal property brought into a participating province from another province

Subparagraph 259(1)(a)(i) of the definition of “non-creditable tax charged”

40. Where, in a claim period, a PSB brings tangible personal property into a participating province from a non-participating province, or a participating province with a lower rate of HST, the PSB may be required to self-assess the provincial part of the HST under the provisions of section 220.05 and Part 5 of the *New Harmonized Value-Added Tax System Regulations, No. 2*. The amount of tax that became payable, or was paid without having become payable, under section 220.05 during the claim period is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the tangible personal property for the claim period.

41. The amount of the provincial part of the HST that is to be self-assessed under section 220.05 is calculated in the manner prescribed in the *New Harmonized Value-Added Tax System Regulations, No. 2* by multiplying a prescribed value (see paragraph 43) in respect of the tangible personal property by the appropriate rate. The rate is equal to the difference between the provincial rate for the participating province into which the property is brought and the provincial rate for the other province from which the property is brought (if the other province is a non-participating province, the provincial rate is equal to 0%). If the property is a “specified item” (see next paragraph) in respect of the other province, the rate is the provincial rate for the participating province that the property is brought into.

42. Under Part 5 of the *New Harmonized Value-Added Tax System Regulations, No. 2*, “specified item”, in respect of a province, means property or a service that is an item included in a schedule to the *Deduction for Provincial Rebate (GST/HST) Regulations* and in respect of which an amount may be paid or credited under an Act of the legislature of the province (for example, specified items in Ontario include property subject to a provincial point-of-sale rebate, such as a printed book, a children’s diaper, children’s clothing, and children’s footwear).

43. For purposes of the self-assessment of the provincial part of the HST under section 220.05, if the tangible personal property is a specified motor vehicle that the person is required to register under the laws of the participating province relating to the registration of motor vehicles, the prescribed value of the property in the *New Harmonized Value-Added Tax System Regulations, No. 2* is equal to the “specified value” (see next paragraph) of the vehicle. If the property is not a specified motor vehicle and the supply of the property was made by way of sale for consideration to a person with whom the supplier deals at arm’s length, the prescribed value of the property is equal to the lesser of the value of the consideration and the fair market value at the time it is brought into the participating province. In any other case,

including where the property has been supplied by way of lease, the prescribed value is equal to the fair market value of the property at the time it is brought into the participating province.

44. Under section 220.01, “specified value”, in respect of a specified motor vehicle that a person is required to register under the laws of a participating province relating to the registration of motor vehicles, means the value that would be attributed to the specified motor vehicle by the provincial authority for that province for the purpose of calculating the specified provincial tax payable if, at the time of registration, that tax were payable in respect of the specified motor vehicle.

45. A PSB that is a GST/HST registrant, other than a registrant that uses the net tax calculation for charities or the special quick method of accounting for PSBs, is not required to self-assess where the property or service is brought into a participating province by the PSB for consumption, use or supply exclusively (90% or more) in the course of commercial activities of the PSB. Another significant exception generally applies where the provincial part of the HST has already been payable in respect of the property or service at a rate that is equal to or higher than the rate for the participating province into which the property or service is brought, including as a result of the supply of the property or service having been made in a participating province based on the application of the place of supply rules.

Example 4 - Property brought into a participating province (same claim period)

In a claim period, a non-registrant PSB purchases goods (other than a specified motor vehicle) in Manitoba from an unrelated supplier. The value of the consideration for the supply is \$45,000, on which the PSB pays \$2,250 in GST ($\$45,000 \times 5\%$). This amount is included in subparagraph 259(1)(a)(i) when calculating the non-creditable GST charged in respect of the goods for the claim period.

The goods are immediately removed from Manitoba and are brought into Ontario. The fair market value of the goods at the time they are brought into Ontario is \$45,000. Under section 220.05, the PSB is required to self-assess tax at the rate of 8% on the value of the goods (8% being the provincial part of the HST in Ontario) because the goods were brought into Ontario after being purchased in a non-participating province. The PSB self-assesses the amount of \$3,600 ($\$45,000 \times 8\%$) on Form GST489, *Return for Self-assessment of the Provincial Part of Harmonized Sales Tax (HST)*. This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

Example 5 - Property brought into a participating province (subsequent claim period)

In a claim period, a registrant PSB purchases goods (other than a specified motor vehicle) in Quebec from an unrelated supplier for use otherwise than exclusively in commercial activities. The value of the consideration for the supply is \$20,000, on which the PSB pays \$1,000 in GST ($\$20,000 \times 5\%$). This amount is included in subparagraph 259(1)(a)(i) when calculating the non-creditable GST charged in respect of the goods for the claim period.

The goods are removed from Quebec in a subsequent claim period and are brought into Newfoundland and Labrador. The fair market value of the goods at the time they are brought into Newfoundland and Labrador is \$18,000. Under section 220.05, the PSB is required to self-assess tax at the rate of 10% on the value of the goods (10% being the provincial part of the HST in Newfoundland and Labrador) because the goods were brought into Newfoundland and Labrador after being purchased in a non-participating province. The PSB self-assesses the amount of \$1,800 ($\$18,000 \times 10\%$) on line 405 of its GST/HST return covering the reporting period. This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the goods for the subsequent claim period.

Example 6 – Property brought into a participating province from another participating province

In a claim period, a non-registrant PSB purchases goods (other than a specified motor vehicle) in Ontario from an unrelated supplier. The value of the consideration for the supply is \$22,000, on which the PSB pays \$2,860 in HST ($\$22,000 \times 13\%$).

The federal part of the HST paid in respect of the supply of the goods is \$1,100 ($\$2,860 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the goods for the claim period. The provincial part of the HST paid in respect of the supply of the goods is \$1,760 ($\$2,860 \times 8/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

The goods are immediately removed from Ontario and are brought into Nova Scotia. The fair market value of the goods at the time they are brought into Nova Scotia is also \$22,000. The PSB is required to self-assess tax at the rate of 2% on the value of the goods purchased in Ontario and brought into Nova Scotia (2% being the difference between the 10% rate of the provincial part of the HST in Nova Scotia and the 8% rate of the provincial part of the HST in Ontario). The PSB self-assesses the amount of \$440 ($\$22,000 \times 2\%$) on Form GST489, *Return for Self-assessment of the Provincial Part of Harmonized Sales Tax (HST)*. This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

Therefore, the total amount included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period is \$2,160 ($\$1,760 + \440).

46. For more information, refer to NOTICE266, *For discussion purposes only – 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*.

Intangible personal property or services acquired in a province for use in a participating province

Subparagraph 259(1)(a)(i) of the definition of “non-creditable tax charged”

47. Where, in a claim period, a PSB resident in a participating province is the recipient of a taxable supply of intangible personal property or a service made in a non-participating province (the provincial rate is equal to 0%) that is acquired for consumption, use, or supply in whole or in part in a participating province, the PSB may be required under the provisions of section 220.08 and Part 5 of the *New Harmonized Value-Added Tax System Regulations, No. 2* to self-assess the provincial part of the HST to the extent (expressed as a percentage) that the PSB acquired the intangible personal property or service for use in the participating province. The amount of tax paid or payable under section 220.08 is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the property or service for the claim period.

48. Where, in a claim period, a PSB resident in a participating province is the recipient of a taxable supply of intangible personal property or a service made in a particular participating province that is acquired for consumption, use, or supply in whole or in part in a participating province (other than the particular participating province) with a higher rate of HST, the PSB may be required under the provisions of section 220.08 and Part 5 of the *New Harmonized Value-Added Tax System Regulations, No. 2* to self-assess an amount of tax. The tax to be self-assessed is based on the difference between the rates of HST in the two respective provinces and the extent (expressed as a percentage) that the PSB acquired the intangible personal property or service for use in the participating province. The amount of tax paid or payable under section 220.08 is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the property or service for the claim period.

49. A PSB that is a GST/HST registrant, other than a registrant that uses the net tax calculation for charities or the special quick method of accounting for PSBs, is not required to self-assess where the property or service is brought into a participating province by the PSB for consumption, use or supply exclusively (90% or more) in the course of commercial activities of the PSB. Another significant exception generally applies where the provincial part of the HST has already been payable in respect of the property or service at a provincial rate that is equal to or higher than the provincial rate for the participating province into which the property or service is brought, including as a result of the supply of the property or service having been made in a participating province based on the application of the place of supply rules.

Example 7 – Service supplied in a participating province

In a claim period, a non-registrant PSB acquires software programming services from a supplier in Ontario for \$35,000. The PSB will use the services 80% at its head office in Ontario and 20% at one of its offices in Prince Edward Island. The supplier has determined that the supply of the software programming services is made in Ontario and collects HST at a rate of 13% in respect of the supply. The PSB pays \$4,550 in HST ($\$35,000 \times 13\%$).

The federal part of the HST paid in respect of the supply of the services is \$1,750 ($\$4,550 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the service for the claim period. The provincial part of the HST paid in respect of the supply is \$2,800 ($\$4,550 \times 8/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the service for the claim period.

The PSB is required to self-assess tax at the rate of 2% on the value of the consideration for the supply of the services purchased in Ontario (2% being the difference between the 10% rate of the provincial part of the HST in Prince Edward Island and the 8% rate of the provincial part of the HST in Ontario) to the extent (expressed as a percentage) that the services are used in Prince Edward Island. The PSB self-assesses tax of \$140 ($\$35,000 \times 2\% \times 20\%$) on Form GST489, *Return for Self-assessment of the Provincial Part of Harmonized Sales Tax (HST)*. This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the service for the claim period.

Therefore, the total amount included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the software programming service for the claim period is \$2,870 ($\$2,940 + \140).

50. For more information, refer to NOTICE 266, *For discussion purposes only – 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*.

Receipt of property from a non-resident

Subparagraph 259(1)(a)(iv) of the definition of “non-creditable tax charged”

51. Section 180 will apply where an unregistered non-resident pays GST/HST on the importation of tangible personal property that the non-resident supplies to a PSB and

- delivers, or makes available in Canada to the PSB before the tangible personal property is used in Canada by, or on behalf of, the non-resident, or
- where the PSB is a registrant, physical possession of the tangible personal property is transferred in Canada to the PSB to make a taxable supply of a commercial service in respect of the tangible personal property to the non-resident.

52. Once the non-resident provides the PSB with evidence, satisfactory to the Minister, that the GST/HST has been paid on the importation of the tangible personal property, the PSB is deemed at the time that the non-resident paid the tax to have paid tax in respect of a supply of the tangible personal property to the PSB equal to the tax paid on the importation. The tax deemed paid is included in subparagraph 259(1)(a)(iv) when calculating the non-creditable tax charged in respect of the tangible personal property for the claim period during which the tax is deemed to have been paid.

Example 8 – Property imported into Canada by a non-resident

A non-registrant PSB resident in Alberta purchases goods valued at \$22,000 from an unregistered supplier that is resident in the United States. The non-resident supplier was the importer of the goods and paid \$1,100 in GST ($\$22,000 \times 5\%$) to the CBSA on the importation of the goods into Canada. The supplier delivers the goods, which have not been used in Canada by or on behalf of the supplier, to the PSB in Alberta and provides satisfactory proof to the PSB that the supplier paid the GST.

The PSB is deemed to have paid GST of \$1,100 in respect of the goods purchased from the non-resident supplier at the time the supplier paid the GST to the CBSA.

The GST deemed paid of \$1,100 will be included in subparagraph 259(1)(a)(iv) when calculating the non-creditable GST charged in respect of the goods for the claim period in which the PSB is deemed to have paid the tax.

A PSB is a GST/HST registrant that has a small supplier division

53. PSBs may apply to have their branches or divisions that have \$50,000 or less in annual taxable supplies designated to be small supplier divisions. A designated small supplier division is treated as a non-registrant even though the body itself may be registered. Generally, no tax is collected on the taxable supplies of the small supplier division and no input tax credits are claimed by the body or the small supplier division with respect to the purchases of the small supplier division.

54. For more information, refer to GST/HST Memorandum 2.4, *Branches and Divisions*.

Supply of property on becoming a small supplier division

Subparagraph 259(1)(a)(ii) of the definition of “non-creditable tax charged”

55. Where, at any time in a claim period, a branch or division of a PSB that is a GST/HST registrant becomes a small supplier division and the PSB continues to be a registrant, the PSB is, under subsection 129(6), deemed to have made a supply of each of its properties, other than capital property or an improvement thereto, that was held by the small supplier division for consumption, use, or supply in commercial activities immediately before the branch or division became a small supplier division, and that the PSB begins, immediately after that time, to hold for consumption, use, or supply primarily (more than 50%) in activities engaged in by the PSB through the small supplier division. Except where the supply is an exempt supply, the PSB is deemed to have collected GST/HST in respect of the supply equal to the total of all input tax credits in respect of the property that the PSB was entitled to claim at or before that time. The tax deemed collected is included in subparagraph 259(1)(a)(ii) when calculating the non-creditable tax charged in respect of the property for the claim period.

Example 9 – Accounting for tax on a supply of property on becoming a small supplier division

In a claim period, a registrant PSB resident in Ontario has one of its branch office designated as a small supplier division. Immediately before that time, the branch office held goods in its inventory for use in commercial activities. The goods will now be held for use in activities engaged in by the PSB through its small supplier division.

The PSB purchased the goods in inventory in a previous claim period in Ontario for \$11,000, on which it paid \$1,430 in HST ($\$11,000 \times 13\%$). The PSB claimed input tax credits of \$1,430 in respect of the HST paid on the goods.

The PSB is deemed to have made a supply of the goods and collected HST of \$1,430 (the input tax credits previously claimed on the goods). The amount deemed collected is accounted for on line 103 (or on line 105 if filing electronically) of the PSB's GST/HST return for the reporting period in which the branch becomes a small supplier division.

The federal part of the tax deemed to have been collected is \$550 ($\$1,430 \times 5/13$). This amount is included in subparagraph 259(1)(a)(ii) when calculating the federal non-creditable HST charged in respect of the goods for the claim period. The provincial part of the tax deemed to have been collected is \$880 ($\$1,430 \times 8/13$). This amount is included in subparagraph 259(1)(a)(ii) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

Change in use of non-capital property

Subparagraph 259(1)(a)(ii) of the definition of "non-creditable tax charged"

56. Where, at any time in a claim period, a PSB that is a GST/HST registrant begins to hold some or all of its non-capital property for consumption, use, or supply primarily in the course of its activities engaged in through its small supplier division and, immediately before that time, the PSB was holding the property for consumption, use, or supply in its commercial activities and otherwise than primarily (50% or less) in the course of activities engaged in through its small supplier division, the PSB is deemed under subsection 129.1(4), except where subsection 129(6) (see paragraph 55 of this memorandum) or subsection 171(3) (see paragraph 58) applies, to have made a supply of the property and collected GST/HST. The tax deemed collected is equal to the total of all input tax credits in respect of the property that the PSB was entitled to claim at or before that time. The tax deemed collected is included in subparagraph 259(1)(a)(ii) when calculating the non-creditable tax charged in respect of the property for the claim period.

Example 10 – Accounting for tax on a supply of property held for use by small supplier division

A registrant PSB resident in Nova Scotia has a small supplier division. In a previous claim period, the PSB purchased goods in Nova Scotia for \$33,000, on which it paid \$4,950 in HST ($\$33,000 \times 15\%$). The PSB held the goods for use in its commercial activities and otherwise than primarily (50% or less) in the course of its activities engaged in by the small supplier division. The PSB claimed input tax credits of \$4,950 in respect of the HST paid on the goods.

In the current claim period, the PSB begins to hold the goods in its inventory for use in the activities of its small supplier division. The PSB is deemed to have made a supply of the goods and collected HST of \$4,950 (the input tax credits previously claimed on the goods). The amount deemed collected is accounted for on line 103 (or on line 105 if filing electronically) of the PSB's GST/HST return.

The federal part of the HST deemed to have been collected is \$1,650 ($\$4,950 \times 5/15$). This amount is included in subparagraph 259(1)(a)(ii) when calculating the federal non-creditable HST charged in respect of the goods for the claim period. The provincial part of the HST deemed to have been collected is \$3,300 ($\$4,950 \times 10/15$). This amount is included in subparagraph 259(1)(a)(ii) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

Services and rented property on becoming a small supplier division

Subparagraph 259(1)(a)(v) of the definition of “non-creditable tax charged”

57. Where a registrant PSB claimed, or was entitled to claim, input tax credits for the GST/HST paid or payable in respect of services or rental property acquired prior to its division becoming a small supplier division and the input tax credits relate to services rendered during a reporting period after becoming a small supplier division, or on rental payments for the use of property in a period after becoming a small supplier division, the PSB must, under subsection 129(7), add to its net tax the amount of the input tax credits claimed. The amounts added to net tax are included in subparagraph 259(1)(a)(v) when calculating the non-creditable tax charged in respect of the property or service for the claim period.

Example 11 – Adjustment to net tax for rental property on becoming a small supplier division

In July, a registrant PSB resident in Ontario that has a monthly reporting period prepays the monthly rent of \$1,500 plus HST for six months (July through to December) for the building in Ontario used by its division in commercial activities. The total amount of rent prepaid is \$9,000 ($\$1,500 \times 6$ months) plus \$1,170 in HST ($\$9,000 \times 13\%$).

The PSB claims an input tax credit of \$1,170 in its net tax for the July reporting period in respect of the HST paid on the rent expense.

The division became a small supplier division effective the first day of October. The PSB is required to make an adjustment to net tax for the amount previously claimed as an input tax credit for the HST paid on the rent for the three months of October, November, and December pursuant to paragraph 171(4)(b). The PSB is required to add to its net tax an amount of \$585 ($[\$1,500 \times 13\%] \times 3$), which is accounted for by the PSB on line 104 (or on line 105 if filing electronically) of its October GST/HST return.

The federal part of the amount added to net tax is \$225 ($\$585 \times 5/13$). This amount is included in subparagraph 259(1)(a)(v) when calculating the federal non-creditable HST charged in respect of the rental property for the claim period. The provincial part of the amount added to net tax is \$360 ($\$585 \times 8/13$). This amount is included in subparagraph 259(1)(a)(v) when calculating the provincial non-creditable HST charged in respect of the rental property for the claim period.

A PSB ceases to be a registrant

Properties on ceasing to be a registrant

Subparagraph 259(1)(a)(ii) of the definition of “non-creditable tax charged”

58. Where, at any time in a claim period, a PSB ceases to be a GST/HST registrant, the PSB is deemed under subsection 171(3) to have made a supply of each property (other than capital property) that, immediately before that time, was held by the PSB for consumption, use, or supply in its commercial activities and to have collected GST/HST on the supply calculated on the fair market value of the property. The tax is accounted for on the PSB’s final return as a registrant. The PSB is also deemed to have received at that time, a supply of the property by way of sale and to have paid an equal amount of tax. The tax deemed collected is included in subparagraph 259(1)(a)(ii) when calculating the non-creditable tax charged in respect of the property for the claim period.

Example 12 – Accounting for tax on property on ceasing to be a registrant

In a claim period, a PSB resident in New Brunswick ceases to be a GST/HST registrant. Immediately before ceasing to be a registrant, the PSB held inventory for consumption, use, or supply in the course of its commercial activities.

On its final GST/HST return, the PSB is required to account for HST at the rate of 15% on the fair market value of the inventory, which is determined to be \$30,000. The PSB is deemed to have collected HST of \$4,500 ($\$30,000 \times 15\%$), which is accounted for by the PSB on line 103 (or on line 105 if filing electronically) of its final GST/HST return.

The federal part of the HST deemed to have been collected is \$1,500 ($\$4,500 \times 5/15$). This amount is included in subparagraph 259(1)(a)(ii) when calculating the federal non-creditable HST charged in respect of the inventory for the claim period. The provincial part of the HST deemed to have been collected is \$3,000 ($\$4,500 \times 10/15$). This amount is included in subparagraph 259(1)(a)(ii) when calculating the provincial non-creditable HST charged in respect of the inventory for the claim period.

Services and rental properties

Subparagraph 259(1)(a)(v) of the definition of “non-creditable tax charged”

59. Where a PSB that engages in commercial activities ceases at any time to be a GST/HST registrant, the PSB is required under paragraph 171(4)(b) to add to net tax in its last reporting period amounts claimed as input tax credits for the GST/HST paid or payable in respect of services and rental properties where the input tax credits relate to GST/HST paid or payable on services rendered in a period after ceasing to be a registrant or on rental payments for the use of property in a period after ceasing to be a registrant. The amounts added to net tax are included in subparagraph 259(1)(a)(v) when calculating the non-creditable tax charged in respect of the property or service for the claim period.

Example 13 – Adjustment to net tax for rental property on ceasing to be a registrant

In January, a registrant PSB resident in Newfoundland and Labrador that has a monthly reporting period prepays its monthly rent of \$2,000 plus HST for six months (January through June) for the building used in its commercial activities. The total amount of rent prepaid is \$12,000 ($\$2,000 \times 6$ months) plus \$1,800 in HST ($\$12,000 \times 15\%$).

The PSB claims an input tax credit of \$1,800 in its net tax for the January reporting period in respect of the HST paid on the rent expense. The PSB determines it is a small supplier and cancels its registration effective the first day of April.

The PSB is required to make an adjustment to net tax for the amount previously claimed as an input tax credit for the HST paid on the rent for the three months of April, May, and June pursuant to paragraph 171(4)(b). The PSB is required to add to net tax an amount of \$900 ($[\$2,000 \times 15\%] \times 3$), which is accounted for by the PSB on line 104 (or on line 105 if filing electronically) of its final GST/HST return.

The federal part of the amount added to net tax is \$300 ($\$900 \times 5/15$). This amount is included in subparagraph 259(1)(a)(v) when calculating the federal non-creditable HST charged in respect of the rental property for the claim period. The provincial part of the amount added to net tax is \$600 ($\$900 \times 10/15$). This amount is included in subparagraph 259(1)(a)(v) when calculating the provincial non-creditable HST charged in respect of the rental property for the claim period.

60. For more information, refer to GST/HST Memorandum 2.7, *Cancellation of Registration*.

A PSB is a creditor who has seized or repossessed real or personal property

61. Section 183 provides rules for the application of the GST/HST to property seized or repossessed by a creditor. Subsection 183(1) provides, in part, that where property is seized or repossessed from a person to satisfy a debt or obligation (in whole or in part) owed to a creditor under a right or power exercisable by the creditor, a supply of property by way of sale will be deemed to have been made by the person and

to have been received by the creditor. This deemed supply by the person to the creditor will generally be deemed to have been made for no consideration, and no GST/HST will apply to the seizure or repossession. In accordance with subsection 183(11), subsection 183(1) will not apply where a receiver has been appointed to manage the assets of the debtor.

Real property

Subparagraph 259(1)(a)(ii) of the definition of “non-creditable tax charged”

62. Where, in a claim period, a PSB that is a creditor that has seized or repossessed real property, in circumstances in which subsection 183(1) applies or would, but for subsection 183(11), apply, begins at any time to use that property otherwise than in making a supply of the property, the PSB creditor is deemed under subsection 183(4) to have made a supply of the property and to have collected and paid GST/HST (except where the supply is an exempt supply) on the fair market value of the real property. The tax deemed collected is accounted for by the PSB on line 103 (or on line 105 if filing electronically) of its GST/HST return. The tax deemed collected is included in subparagraph 259(1)(a)(ii) when calculating the non-creditable tax charged in respect of the real property for the claim period.

Personal property

Subparagraph 259(1)(a)(ii.1) of the definition of “non-creditable tax charged”

63. Where, in a claim period, a PSB that is not a charity to which subsection 225.1(2) (net tax calculation for charities) applies, and that is a creditor that has seized or repossessed personal property from a person before 1994, in circumstances in which subsection 183(1) applies or would, but for subsection 183(11), apply, begins at a particular time to use that property otherwise than in making a supply of the property, the PSB is deemed under subsection 183(5) to have made a taxable supply of the property. The PSB is deemed to have collected and paid GST/HST on the fair market value of the property only if tax would have been payable had the property been purchased from the person in Canada at the time it was seized or repossessed. The tax deemed collected is accounted for by the PSB on line 103 (or on line 105 if filing electronically) of its GST/HST return. The tax deemed collected is included in subparagraph 259(1)(a)(ii.1) when calculating the non-creditable tax charged in respect of the property for the claim period.

64. Where, in a claim period, a PSB that is not a charity to which subsection 225.1(2) (net tax calculation for charities) applies, and that is a creditor that has seized or repossessed personal property from a person after 1993, in circumstances in which subsection 183(1) applies or would, but for subsection 183(11), apply, begins at a particular time to use that property otherwise than in making a supply of the property, the PSB is deemed under subsection 183(6) to have made a taxable supply of the property and to have paid GST/HST on the fair market value of the property. The PSB is deemed to have collected GST/HST on the fair market value of the property only if tax would have been payable had the property been purchased from the person in Canada at the time it was seized or repossessed. The tax deemed collected is accounted for by the PSB on line 103 (or on line 105 if filing electronically) of its GST/HST return. The tax deemed collected is included in subparagraph 259(1)(a)(ii.1) when calculating the non-creditable tax charged in respect of the property for the claim period.

Example 14 – Seized property used by creditor

A registrant PSB resident in Saskatchewan is not a charity to which subsection 225.1(2) (net tax calculation for charities) applies. The PSB granted a loan to a Saskatchewan company in 2010 to purchase office equipment with the equipment serving as security for the loan. The company defaulted on the loan payments, and the PSB repossessed the equipment in 2013. The PSB begins to use the repossessed office equipment for its own purposes. In the claim period that the PSB begins to use the equipment, the PSB is required to account for GST on the fair market value of the equipment at the time it was repossessed,

which is determined to be \$25,000. The PSB is also considered to have paid GST on the equipment's fair market value of \$25,000.

The PSB is deemed to have collected GST of \$1,250 ($\$25,000 \times 5\%$) on the fair market value of the office equipment. The GST deemed collected is accounted for by the PSB on line 103 (or on line 105 if filing electronically) of its GST/HST return.

The GST of \$1,250 deemed to have been collected will be included in subparagraph 259(1)(a)(ii.1) when calculating the non-creditable GST charged in respect of the equipment for the claim period.

A PSB is a builder of a residential complex to which section 191 applies

Subparagraph 259(1)(a)(ii) of the definition of "non-creditable tax charged"

65. If a PSB is a builder² of a newly constructed or substantially renovated residential complex and the PSB, under a lease, licence, or similar arrangement, gives possession or use of the complex or any residential unit in the complex to a person for occupancy by an individual as a place of residence, the PSB is generally deemed under section 191 to have sold and repurchased (that is, self-supplied) the complex. The PSB is also considered to have collected and to have paid tax on the fair market value of the complex at that time³. The tax deemed to be collected must be accounted for by the PSB on line 103 (or on line 105 if filing electronically) of its GST/HST return. The tax deemed collected is included in subparagraph 259(1)(a)(ii) when calculating the non-creditable tax charged in respect of the residential complex for the claim period in which section 191 applies.

66. Note that special rules apply to determine the tax deemed collected on a self-supply by a PSB that receives government funding for social housing. Also note that pursuant to subsection 191(6), a university, public college, or school authority that is a builder of a residential complex is not subject to the self-supply rules if the complex or addition is constructed, acquired, or substantially renovated primarily for the purpose of providing a place of residence for students attending the university, college, or school.

67. For more information, refer to GST/HST Memorandum 19.2.3, *Residential Real Property – Deemed Supplies*.

Employee or volunteer allowance

Subparagraph 259(1)(a)(iii) of the definition of "non-creditable tax charged"

68. A PSB is deemed under section 174 to have received a supply of a property or service when, in a claim period, the PSB pays an allowance to an employee (or if the PSB is a charity or public institution, an employee or volunteer) for property or services acquired in Canada in relation to the activities of the PSB (or for the use in Canada in relation to the activities of the PSB of a motor vehicle) where the property or services are all or substantially all (90% or more) taxable supplies (other than zero-rated supplies). Some of the amount of the allowance must be an amount that would be deductible in computing income if the PSB were a taxpayer under the *Income Tax Act* and the PSB's activities were a business. The PSB is deemed to have paid, at the time the allowance is paid, tax in respect of the supply

² Generally a PSB is a builder if it carries on or engages another person to carry on the construction or substantial renovation of a residential complex or the construction of an addition to a multiple unit residential complex on real property in which the PSB has an interest. It may also include a PSB that purchases a newly constructed or substantially renovated residential complex for lease to a person, other than an individual for that individual's personal use.

³ The self-supply generally occurs at the later of the time the construction or substantial renovation is substantially completed and the time possession of use of the complex or unit is given to the person.

equal to the amount determined, under section 174 and Part 2 of the *New Harmonized Value-Added Tax System Regulations, No. 2*, by the formula:

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

where

A is the amount of the allowance

B is

- (i) if 90% or more of the supplies for which the allowance is paid were made in a particular participating province, or if the allowance is paid for the use of a motor vehicle used 90% or more in a particular participating province; the HST rate for the participating province,
- (ii) if 90% or more of the supplies for which the allowance is paid were made in two or more participating provinces, or if the allowance is paid for the use of a motor vehicle used 90% or more in two or more participating provinces, the lowest HST rate among the tax rates for those participating provinces, and
- (iii) in any other case, 5%, and

C is the total of 100% and the percentage determined for B.

The tax deemed paid is included in subparagraph 259(1)(a)(iii) when calculating the non-creditable tax charged in respect of the property or service for the claim period.

Example 15 – Volunteer allowance

In a claim period, a charity resident in Prince Edward Island pays its volunteer a \$150 allowance for the use of his automobile in relation to activities engaged in by the charity. The volunteer is not required to provide any receipts or documentation to the charity or to account for the allowance.

At the time the allowance is paid, section 174 deems the charity to have paid tax in respect of the supply equal to the amount determined by the formula:

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

where

A is \$150 - that is, the amount of the allowance

B is 15% - that is, the HST rate for Prince Edward Island

C is 115% - that is, the total of 100% and the percentage determined for B

Therefore, the charity is deemed to have paid HST of \$19.57 ($\$150 \times 15/115$). The federal part of the HST deemed paid is \$6.52 ($\$19.57 \times 5/15$). This amount is included in subparagraph 259(1)(a)(iii) when calculating the federal non-creditable HST charged in respect of the property for the claim period. The provincial part of the HST deemed paid is \$13.05 ($\$19.57 \times 10/15$). This amount is included in subparagraph 259(1)(a)(iii) when calculating the provincial non-creditable HST charged in respect of the property for the claim period.

69. For more information, refer to GST/HST Memorandum 9.3, *Allowances*.

Employee or volunteer reimbursement

Subparagraph 259(1)(a)(iv) of the definition of “non-creditable tax charged”

70. A PSB is deemed under section 175 to have received a supply of a property or service when, in a claim period, the PSB reimburses an employee (or if the PSB is a charity or public institution, an employee or volunteer) for property or services acquired, imported, or brought into a participating province by the employee (or volunteer) for consumption or use by the PSB, and on which the employee paid the tax payable. The PSB is deemed to have paid, at the time the reimbursement is paid, tax in respect of the supply of the property or service equal to the amount determined by the formula:

$$A \times B$$

where

A is the tax paid by the employee or volunteer in respect of the acquisition, importation, or bringing into a particular province of the property or service by the employee or volunteer, and

B is the lesser of

- (i) the percentage of the cost to the employee or volunteer of the property or service that is reimbursed, and
- (ii) the extent (expressed as a percentage) to which the property or service was acquired, imported or brought into the province by the employee or volunteer for consumption or use in relation to the activities of the person.

The tax deemed paid is included in subparagraph 259(1)(a)(iv) when calculating the non-creditable tax charged in respect of the property of service for the claim period.

Example 16 – Volunteer reimbursement

In a claim period, a volunteer of a charity rented a car in Ontario while attending two days of meetings as a representative of the charity. Since the volunteer was not returning home after the meetings, but was taking a three day vacation, the car rental agreement was for a five-day period. The volunteer paid \$200 plus \$26 in HST ($\$200 \times 13\%$) for the car rental. The charity reimbursed the volunteer for the car rental, including the HST, in respect of the meetings. The percentage reimbursed was 40% ($2/5 \times 100\%$), which was the two days’ use during the meetings of the five-day car rental.

Pursuant to section 175, the charity is deemed to have received a supply of the car rental, and the use of the car by the volunteer for the two days is considered to be use by the charity.

The tax the charity is deemed to have paid in respect of the supply is equal to

$$A \times B$$

where

A is \$26 – that is, the tax paid by the volunteer,

B is 40% which is the lesser of

- 40% – that is, the percentage of the cost to the volunteer that was reimbursed, and
- 40% – that is, the extent expressed as a percentage to which the rental of the car was acquired for use in relation to activities of the charity.

Therefore, the tax deemed paid by the charity for the car rental is equal to \$10.40 ($\$26.00 \times 40\%$). The federal part of the HST deemed paid is \$4.00 ($\$10.40 \times 5/13$). This amount is included in

subparagraph 259(1)(a)(iv) when calculating the federal non-creditable HST charged in respect of the supply for the claim period. The provincial part of the HST deemed paid is \$6.40 ($\$10.40 \times 8/13$). This amount is included in subparagraph 259(1)(a)(iv) when calculating the provincial non-creditable HST charged in respect of the supply for the claim period.

71. In calculating the amount of tax paid in respect of a reimbursement, the amount may be based on the deemed tax paid (the calculation of deemed tax paid as shown in paragraph 70) or using a factor to determine the deemed tax paid. When the factor method is used, 90% or more of the supplies for which the reimbursement is paid must have been subject to the related tax rate. The method of calculation selected must be used consistently within each category of reimbursed amounts (for example, airfare, hotel accommodation, food, beverages, and entertainment) throughout the fiscal year. For example, if a PSB chooses to calculate the tax paid in respect of airfare expenses for one employee based on a factor of deemed tax paid, the PSB must use the same method for such expenses reimbursed to all other employees during the fiscal year. The factor rates are lower than the tax rates in recognition of the fact that the total expenses may include tips, provincial sales tax, and other amounts that are not subject to the GST/HST.

72. For more information, refer to GST/HST Memorandum 9.4, *Reimbursements*.

Deductions

73. A PSB may be entitled to input tax credits, rebates (other than the PSB rebate), refunds, remissions of tax, or an adjustment for the tax paid or payable on property and services in a claim period. These amounts are included in subparagraphs 259(1)(b)(i) - (iii) and must be subtracted from the total tax charged in respect of the property or service (the total of all amounts mentioned in paragraphs 27 to 72 of this memorandum) when calculating the non-creditable tax charged in respect of a property or service for the claim period. Paragraphs 74 to 130 of this memorandum explain which amounts are included in subparagraphs 259(1)(b)(i)-(iii).

A PSB is a registrant that can claim input tax credits

Subparagraph 259(1)(b)(i) of the definition of “non-creditable tax charged”

74. Under subsection 169(1), where a PSB acquires or imports property or a service, or brings it into a participating province and, during a reporting period of the PSB in which it is a registrant, the GST/HST in respect of the property or service becomes payable by the PSB or is paid by the PSB without having become payable, the PSB may be eligible to claim an input tax credit in respect of the tax (including self-assessed GST/HST) to the extent (expressed as a percentage) the property or service was acquired, imported or brought into a participating province for consumption, use, or supply in the course of the PSB’s commercial activities, where all of the other conditions for claiming an input tax credit are met.

75. Furthermore, under subsection 141.01(2), the PSB is deemed to have acquired property or a service for consumption or use in commercial activities only to the extent that the property or service is acquired for the purpose of making taxable supplies for consideration in the course of an endeavour of the PSB. To the extent that the property or service is acquired for the purpose of making supplies in the course of an endeavour that are not taxable supplies made for consideration or for a purpose other than making supplies, the PSB is deemed to have acquired the property or service for consumption or use otherwise than in commercial activities.

76. The amount of an input tax credit that the PSB is eligible to claim in respect of a property or service is included in subparagraph 259(1)(b)(i). As a result, this amount is deducted from the amount determined under paragraph 259(1)(a) when calculating the non-creditable tax charged in respect of the property or service for the claim period.

77. For more information on input tax credit eligibility, refer to GST/HST Memorandum 8.1, *General Eligibility Rules*.

Example 17 – Property eligible for input tax credits

In a claim period, a registrant PSB purchases office supplies in New Brunswick for \$3,600, on which it pays HST of \$540 ($\$3,600 \times 15\%$). The office supplies are for use by the PSB in both its commercial and exempt activities. Using a fair and reasonable method, the PSB determines that the office supplies are for use 75% in the course of making taxable supplies for consideration and for use 25% in the course of making exempt supplies. Therefore, the PSB is eligible to claim an input tax credit of \$405 ($\$540 \times 75\%$). All other conditions for claiming an input tax credit have been met. The PSB is not entitled to claim any rebate (other than a PSB rebate), refund, or remission of this HST.

The federal part of the HST paid in respect of the purchase is \$180 ($\$540 \times 5/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the office supplies for the claim period. The provincial part of the HST paid in respect of the purchase is \$360 ($\$540 \times 10/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the office supplies for the claim period.

The amount of the federal part of the HST for which the PSB is eligible to claim an input tax credit is \$135 ($\$405 \times 5/15$). This amount is included in subparagraph 259(1)(b)(i) when calculating the federal non-creditable HST charged in respect of the office supplies for the claim period. The amount of the provincial part of the HST for which the PSB is eligible to claim an input tax credit is \$270 ($\$405 \times 10/15$). This amount is included in subparagraph 259(1)(b)(i) when calculating the provincial non-creditable HST charged in respect of the office supplies for the claim period.

Therefore, the federal non-creditable HST charged in respect of the office supplies for the claim period is \$45 ($\$180 - \135). The provincial non-creditable HST charged in respect of the office supplies for the claim period is \$90 ($\$360 - \270).

Simplified accounting methods

78. Where a registrant PSB uses the net tax calculation for charities or the special quick method of accounting for PSBs, the PSB cannot claim as input tax credits the GST/HST paid or payable on most supplies of property and services that it acquires, imports, or brings into a participating province. However, the PSB is still entitled to claim a PSB rebate of the GST/HST paid or payable on eligible property and services, including tax that is not eligible for an input tax credit due to the net tax calculation for charities or the special quick method calculation.

79. For more information, refer to GST/HST Info Sheet GI-066, *How a Charity Completes its GST/HST Return*, and the CRA webpage entitled *Special quick method of accounting for public service bodies*.

Example 18 – Property not eligible for input tax credit due to the net tax calculation for charities

In a claim period, a registrant charity purchases office supplies in Ontario for \$3,000, on which it pays HST of \$390 ($\$3,000 \times 13\%$). The office supplies are for use by the charity in its commercial activities. The charity is not eligible to claim an input tax credit for the HST it paid on this property as the charity uses the net tax calculation for charities. However, the charity is entitled to claim a PSB rebate of the HST paid. The charity is not entitled to claim any rebate (other than the PSB rebate), refund, or remission of this HST.

The federal part of the HST paid in respect of the purchase is \$150 ($\$390 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the office supplies for the claim period.

The provincial part of the HST paid in respect of the purchase is \$240 ($\$390 \times 8/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the office supplies for the claim period.

Therefore, the federal non-creditable HST charged in respect of the office supplies for the claim period is \$150 ($\$150 - \0). The provincial non-creditable HST charged in respect of the office supplies for the claim period is \$240 ($\$240 - \0).

Other rebates

Subparagraph 259(1)(b)(ii) of the definition of “non-creditable tax charged”

80. A PSB may be entitled to claim other rebates instead of, or in addition to, the PSB rebate to recover some or all of the GST/HST paid or payable on a purchase of property or a service. If the PSB is entitled to claim a rebate, other than the PSB rebate, of an amount included in paragraph 259(1)(a), the amount of this other rebate is included in subparagraph 259(1)(b)(ii). As a result, this amount is deducted from the amount determined under paragraph 259(1)(a) when calculating the non-creditable tax charged in respect of the property or service for the claim period.

Rebate for printed books

81. Under subsection 259.1(2), a PSB that is a “specified person” is eligible to claim a rebate of the GST/HST payable on “specified property”, which means:

- a printed book or an update of such a book;
- an audio recording all or substantially all of which is a spoken reading of a printed book; or
- a bound or unbound printed version of scripture of any religion.

82. “Specified person” for the purposes of the federal rebate for printed books is defined in subsection 259.1(1) and means:

- (a) a municipality;
- (b) a school authority;
- (c) a university;
- (d) an organization that operates a post-secondary college or post-secondary technical institute
 - (i) that receives from a government or municipality funds that are paid for the purpose of assisting the organization in the ongoing provision of educational services to the general public, and
 - (ii) the primary purpose of which is to provide programs of instruction in one or more fields of vocational, technical or general education;
- (e) a charity, public institution or qualifying non-profit organization that operates a public lending library; or
- (f) a prescribed charity, or a prescribed qualifying non-profit organization, the primary purpose of which is the promotion of literacy.

83. This rebate is available to specified persons if the specified property is acquired, imported, or brought into a participating province for purposes other than supply by way of sale. If a specified person acquires the specified property to resell, including giving away for free, then there is generally no rebate under subsection 259.1(2) of the GST/HST payable on the acquisition of the specified property.

84. However, pursuant to paragraph 259.1(2)(a), prescribed charities and prescribed qualifying non-profit organizations whose primary purpose is the promotion of literacy can claim a rebate under subsection 259.1(2) if the specified property was acquired, imported, or brought into a participating province to be given away for free.

85. The specified person must file the application for the rebate within four years after the end of the claim period in which the tax became payable.

86. If, in a claim period, GST/HST was paid or payable by a PSB on a purchase of specified property and the PSB is entitled to claim a rebate under subsection 259.1(2), the amount of the rebate is included in subparagraph 259(1)(b)(ii). As a result, this amount is deducted from the amount determined under paragraph 259(1)(a) when calculating the non-creditable tax charged in respect of the specified property for the claim period.

87. The rebate under subsection 259.1(2) is distinct from the point-of-sale rebate of the provincial part of the HST that is available in the participating provinces, except Newfoundland and Labrador, to all persons who purchase qualifying printed books, audio recordings, and printed scripture (see Example 26 of this memorandum). If a specified person purchases specified property that is subject to a point-of-sale rebate of the provincial part of the HST, the specified person cannot claim a rebate under subsection 259.1(2) of the provincial part of the HST. As such, a specified person may only claim a rebate under subsection 259.1(2) of the provincial part of the HST payable in Newfoundland and Labrador.

Example 19 – Rebate for printed book

A PSB purchases printed books in Alberta for its own use for \$1,000 on which it pays \$50 in GST (\$1,000 × 5%). The PSB is a “specified person” and the books qualify for the federal rebate for printed books. The PSB is not eligible to claim input tax credits.

The GST of \$50 paid on this purchase is included in subparagraph 259(1)(a)(i) when calculating the non-creditable GST charged in respect of the books for the claim period.

Pursuant to subsection 259.1(2), the PSB is entitled to claim a printed book rebate of the \$50 in GST paid on the purchase of the books. This amount is included in subparagraph 259(1)(b)(ii) when calculating the non-creditable GST charged in respect of the books for the claim period.

Therefore, the non-creditable GST charged in respect of the books for the claim period is \$0 (\$50 – \$50). There is no amount eligible for the PSB rebate, as all of the GST paid is recovered through the federal printed book rebate.

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

Rebate for property or services exported

89. Under section 260, a charity or a public institution may claim a 100% rebate of the GST/HST paid on purchases of property or services that are exported from Canada by the charity or public institution.

90. The charity or public institution must file the application for the rebate within four years after the end of its fiscal year in which tax in respect of the supply of the property or service became payable.

91. If, in a claim period, a charity or public institution paid GST/HST on a purchase of property or a service that it exported from Canada and is entitled to a rebate under section 260, the amount of the rebate is included in subparagraph 259(1)(b)(ii). As a result, this amount is deducted from the amount determined under paragraph 259(1)(a) when calculating the non-creditable tax charged in respect of the property or service for the claim period.

Example 20 – Rebate for property exported from Canada

A charity resident in Newfoundland and Labrador is involved in a charitable project in South America whereby it provides relief to needy families. In connection with this project, the charity purchases equipment in Newfoundland and Labrador in a claim period for \$200,000 on which it pays \$30,000 in HST ($\$200,000 \times 15\%$). All the supplies the charity makes are exempt, and it is not entitled to input tax credits. In the same claim period in which the property was purchased, the property was exported from Canada to South America.

The federal part of the HST paid in respect of the equipment is \$10,000 ($\$30,000 \times 5/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the exported equipment for the claim period. The provincial part of the HST paid in respect of the exported equipment is \$20,000 ($\$30,000 \times 10/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the exported equipment for the claim period.

Pursuant to section 260, the charity is entitled to claim a 100% rebate of the \$30,000 in HST paid on the equipment exported from Canada. The federal part of the HST paid that is eligible for a rebate is \$10,000 ($\$30,000 \times 5/15$). This amount is included in subparagraph 259(1)(b)(ii) when calculating the federal non-creditable HST charged in respect of the equipment for the claim period. The provincial part of the HST paid that is eligible for a rebate is \$20,000 ($\$30,000 \times 10/15$). This amount is included in subparagraph 259(1)(b)(ii) when calculating the provincial non-creditable HST charged in respect of the equipment for the claim period.

Therefore, the federal non-creditable HST charged in respect of the exported equipment for the claim period is \$0 ($\$10,000 - \$10,000$). The provincial non-creditable HST charged in respect of the exported equipment for the claim period is \$0 ($\$20,000 - \$20,000$). There is no amount eligible for the PSB rebate, as all the GST/HST paid is recovered through the rebate under section 260.

92. For more information, refer to Guide RC4034, *GST/HST Public Service Bodies' Rebate* and GST/HST Policy Statement P-132, *100% Rebate for Exports by a Charity or a Public Institution*.

Tangible personal property acquired in a participating province and removed to another province

93. Under the provisions of subsection 261.1(1) and Part 5 of the *New Harmonized Value-Added Tax System Regulations, No. 2*, a PSB that purchases tangible personal property in a participating province, pays HST on the property, and removes the property within 30 days after delivery⁴ to a non-participating province, or a participating province with a lower rate of HST, for consumption, use, or supply exclusively (more than 90%) in that province, may be entitled to a rebate of some or all of the provincial part of the HST paid on the property.

The rebate is determined by the formula:

$$A - B$$

⁴ If the tangible personal property is put into storage prior to being removed from the participating province, the period of time the property spends in storage will not be taken into account when determining the 30-day period.

where

A is the amount of the provincial part of the HST paid on the supply; and

B is

- zero if the property or service is a specified item (see paragraph 42) for the participating province; or
- in any other case, the amount of the provincial part of the HST that would have become payable by the person for the supply if that tax were calculated at the provincial rate for the other province⁵.

94. If, in a claim period, the PSB is entitled to a rebate under subsection 261.1(1) of the provincial part of the HST, or a portion of the provincial part of the HST, the amount of the rebate is included in subparagraph 259(1)(b)(ii). As a result, this amount is deducted from the amount determined under paragraph 259(1)(a) when calculating the provincial non-creditable HST charged in respect of the property for the claim period.

95. In order to claim the rebate under section 261.1, the PSB must pay any applicable provincial levies in respect of the property.

96. The PSB must file the application for the rebate within one year after the day the PSB removed the property from the participating province. The PSB will claim this rebate by completing Form GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*.

Example 21 – Goods acquired in a participating province and removed to a non-participating province

In a claim period, a non-registrant PSB purchases goods in Ontario for \$55,000, on which it pays \$7,150 in HST ($\$55,000 \times 13\%$). In the same claim period, the PSB removes the goods from Ontario within 30 days after delivery and brings them into British Columbia (a non-participating province) for exclusive use in that province. The PSB pays the applicable provincial sales taxes in British Columbia.

The federal part of the HST paid in respect of the purchase is \$2,750 ($\$7,150 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the goods for the claim period. The provincial part of the HST paid in respect of the purchase is \$4,400 ($\$7,150 \times 8/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

The PSB is eligible to claim a rebate under subsection 261.1(1) for the provincial part of the HST paid on the goods brought into that province.

The rebate available under subsection 261.1(1) is determined by the formula:

$$A - B$$

where

A = \$4,400 ($\$55,000 \times 8\%$) – that is, the provincial part of the HST paid in Ontario.

B = \$0 – that is, the amount of the provincial part of the HST that would have been payable in British Columbia.

⁵ In the case of a non-participating province, the provincial rate is 0%.

The rebate available to the PSB under subsection 261.1(1) is \$4,400 (\$4,400 – \$0). This amount is included in subparagraph 259(1)(b)(ii) and then subtracted from the amount determined under paragraph 259(1)(a) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

Therefore, the federal non-creditable HST charged in respect of the goods for the claim period is \$2,750 (\$2,750 – \$0). The provincial non-creditable HST charged in respect of the goods for the claim period is \$0 (\$4,400 – \$4,400).

Example 22 – Goods acquired in a participating province and removed to another participating province

In a claim period, a non-registrant PSB purchases goods in New Brunswick for \$19,000, on which it pays \$2,850 in HST (\$19,000 × 15%). The goods are removed from New Brunswick within 30 days after delivery and brought into Ontario for exclusive use by the PSB in that province. No provincial sales tax is applicable when the goods are brought into Ontario, because Ontario is a participating province.

The federal part of the HST paid in respect of the purchase is \$950 (\$2,850 × 5/15). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the goods for the claim period. The provincial part of the HST paid in respect of the purchase is \$1,900 (\$2,850 × 10/15). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

The PSB is eligible to claim a rebate based on the 2% difference between the 8% rate of the provincial part of the HST in Ontario and the 10% rate of the provincial part of the HST in New Brunswick.

The rebate available under subsection 261.1(1) is determined by the formula:

$$A - B$$

where

A = \$1,900 (\$19,000 × 10%) – that is, the provincial part of the HST paid in New Brunswick.

B = \$1,520 (\$19,000 × 8%) – that is, the amount of the provincial part of the HST that would have been payable in Ontario.

The rebate available to the PSB under subsection 261.1(1) is \$380 (\$1,900 – \$1,520). This amount is included in subparagraph 259(1)(b)(ii) and then subtracted from the amount determined under paragraph 259(1)(a) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

Therefore, the federal non-creditable HST charged in respect of the goods for the claim period is \$950 (\$950 – \$0). The provincial non-creditable HST charged in respect of the goods for the claim period is \$1,520 (\$1,900 – \$380).

97. For more information, refer to GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*.

Tangible personal property imported by resident of a participating province for use in another province

98. Under the provisions of section 261.2 and Part 5 of the *New Harmonized Value-Added Tax System Regulations, No. 2*, a PSB resident in a particular participating province may be entitled to a rebate of all or part of the provincial part of the HST it paid on tangible personal property imported at a place in

another province for consumption or use exclusively in any province (other than the particular participating province).

The rebate is determined by the formula:

$$A - B$$

where

A is the amount of the provincial part of the HST paid under subsection 212.1(2) on the supply; and

B is

- zero if the property or service is a specified item (see paragraph 42) for the province; or
- in any other case, the amount of the provincial part of the HST that would have become payable under subsection 212.1(2) by the person for the supply if that tax were calculated at the provincial rate for the other province

99. If, in a claim period, the PSB is eligible to a rebate under subsection 261.1(2) of the provincial part of the HST, or a portion of the provincial part of the HST, the amount of the rebate is included in subparagraph 259(1)(b)(ii). As a result, this amount is deducted from the amount determined under paragraph 259(1)(a) when calculating the provincial non-creditable HST charged in respect of the property for the claim period.

100. In order to claim the rebate under section 261.2, the PSB must pay any applicable provincial levies in respect of the property.

101. The PSB must file the application for the rebate within one year after the day the tax became payable. The PSB will claim this rebate by completing Form GST189, *General Application for Rebate of GST/HST* (using code 12).

Intangible personal property or services acquired in a participating province for use in another province

102. Under the provisions of section 261.3 and Part 5 of the *New Harmonized Value-Added Tax System Regulations, No. 2*, a PSB may be entitled to a rebate of all or part of the provincial part of the HST it paid on acquisitions of intangible personal property or services if the supply of the intangible personal property or services is made in a particular participating province and is intended to be consumed, used or supplied a total of 10% or more in one or more non-participating provinces, or participating provinces with a lower rate of HST.

The rebate available under section 261.3 is determined by the formula:

$$A - B$$

where:

A is the amount of the provincial part of the HST that becomes payable for the supply; and

B is the total of all amounts, each of which is determined for a participating province by the formula:

$$C \times D$$

where:

C is

- zero if the property or service is a specified item (see paragraph 42) for the participating province; or

-
- in any other case, the amount of tax that would have become payable by the person for the supply if that tax were calculated on the amount of consideration for the supply:
 - at the tax rate for the participating province, if the tax rate for the participating province is lower than the tax rate for the particular participating province; or
 - in any other case, at the tax rate for the particular participating province; and

D is the extent (expressed as a percentage) to which the PSB acquired the property or service for consumption, use or supply in the participating province.

103. If, in a claim period, the PSB is entitled to a rebate under section 261.3, the amount of the rebate is included in subparagraph 259(1)(b)(ii). As a result, this amount is deducted from the amount determined under paragraph 259(1)(a) when calculating the provincial non-creditable HST charged in respect of the property or service for the claim period.

104. The PSB must file the application for the rebate within one year after the day that tax became payable. The PSB will claim this rebate by completing Form GST189, *General Application for Rebate of GST/HST* (using code 13).

Example 23 – Service acquired in participating province for partial use in non-participating province

In a claim period, a non-registrant PSB resident in New Brunswick engages a motivational speaker from New Brunswick to give two lectures in New Brunswick and two lectures in Quebec (a non-participating province). The motivational speaker, who is a GST/HST registrant, charges \$2,500 per lecture for a total charge of \$10,000 ($\$2,500 \times 4$) plus \$1,500 in HST ($\$10,000 \times 15\%$).

The federal part of the HST paid in respect of the lecture services is \$500 ($\$1,500 \times 5/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the service for the claim period. The provincial part of the HST paid in respect of the lecture services is \$1,000 ($\$1,500 \times 10/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the service for the claim period.

The PSB is eligible to claim a rebate of the provincial part of the HST paid in New Brunswick on the lecture services to the extent that the services are acquired for consumption, use, or supply outside New Brunswick in a non-participating province. The lecture services are acquired for use 50% in New Brunswick and 50% in Quebec.

The rebate available under section 261.3 is determined by the formula:

$$A - B$$

where:

A = \$1,000 ($\$10,000 \times 10\%$) – that is, the provincial part of the HST paid in New Brunswick.

B is the total of all amounts, each of which is determined for a participating province by the formula:

$$C \times D$$

where:

C = \$1,000 ($\$10,000 \times 10\%$) – that is, the tax payable if it was calculated at 10% on the consideration.

D = 50% – that is, the extent of use in New Brunswick.

$C \times D = \$500$ ($\$1,000 \times 50\%$) – that is, the amount of the provincial part of the HST that would have become payable in New Brunswick to the extent that the lecture services were acquired for use in that province.

Therefore, $B = \$500$.

The rebate available to the PSB under section 261.3 is $\$500$ ($\$1,000 - \500). This amount is included in subparagraph 259(1)(b)(ii) and then subtracted from the amount determined under paragraph 259(1)(a) when calculating the provincial non-creditable HST charged in respect of the lecture services for the claim period.

Therefore, the federal non-creditable HST charged in respect of the lecture services for the claim period is $\$500$ ($\$500 - \0). The provincial non-creditable HST charged in respect of the lecture services for the claim period is $\$500$ ($\$1,000 - \500).

Example 24 – Services acquired in participating province for partial use in another participating province

In a claim period, a non-registrant PSB resident in Nova Scotia purchases advertising services in Nova Scotia for $\$5,000$, on which it pays $\$750$ in HST ($\$5,000 \times 15\%$). The advertising services will be used 60% in Nova Scotia and 40% in Ontario.

The federal part of the HST paid in respect of the advertising services is $\$250$ ($\$750 \times 5/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the service for the claim period. The provincial part of the HST paid in respect of the advertising services is $\$500$ ($\$750 \times 10/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the service for the claim period.

Under section 261.3, the PSB is eligible to claim a rebate of a portion of the provincial part of the HST paid in Nova Scotia based on the 2% difference between the 10% rate of the provincial part of the HST in Nova Scotia and the 8% rate of the provincial part of the HST in Ontario to the extent that the advertising services are acquired for consumption, use, or supply in Ontario.

The rebate available under section 261.3 is determined by the formula:

$$A - B$$

where:

$A = \$500$ ($\$5,000 \times 10\%$) – that is, the provincial part of the HST paid in Nova Scotia.

B is the total of all amounts, each of which is determined for a participating province by the formula:

$$C \times D$$

where:

1) $C = \$400$ ($\$5,000 \times 8\%$) – that is, the tax payable if it was calculated at 8% on the consideration.

$D = 40\%$ – that is, the extent of use in Ontario.

$C \times D = \$160$ ($\$400 \times 40\%$) – that is, the amount of the provincial part of the HST that would have become payable in Ontario to the extent (40%) that the advertising services were acquired for use in that province.

2) $C = \$500 (\$5,000 \times 10\%)$ – that is, the tax payable if it was calculated at 10% on the consideration

$D = 60\%$ – the extent of use in Nova Scotia.

$C \times D = \$300 (\$500 \times 60\%)$ – that is, the amount of the provincial part of the HST that would have become payable in Nova Scotia to the extent (60%) that the advertising services were acquired for use in that province.

Therefore, $B = \$460 (\$160 + \$300)$ – that is, the total of 1) and 2) above.

The rebate available ($A - B$) to the PSB under section 261.3 is \$40 ($\$500 - \460). This amount is included in subparagraph 259(1)(b)(ii) and then subtracted from the amount determined under paragraph 259(1)(a) when calculating the provincial non-creditable HST charged in respect of the advertising services for the claim period.

Therefore, the federal non-creditable HST charged in respect of the advertising services for the claim period is \$250 ($\$250 - \0). The provincial non-creditable HST charged in respect of the advertising services for the claim period is \$460 ($\$500 - \40).

105. For more information, refer to Guide RC4033, *General Application for GST/HST Rebates*.

Rebates that are not included in non-creditable tax charged

Provincial point-of-sale rebate

106. Most participating provinces provide a point-of-sale rebate of the provincial part of the HST payable on qualifying items. When vendors provide a point-of-sale rebate for the provincial part of the HST, they only collect the 5% federal part of the HST on supplies of such items. If a PSB purchases qualifying items, the amount of the point-of-sale rebate cannot be included in the calculation of the provincial non-creditable HST charged in respect of the qualifying item for the claim period, pursuant to subsection 234(4). The remaining amount paid or payable (which is the federal part of the HST) may be included in subparagraph 259(1)(a)(i) when calculating the non-creditable GST charged in respect of the qualifying item for the claim period. If a PSB does not receive a point-of-sale rebate of the provincial part of the HST payable on a qualifying item from a vendor, the amount may be recovered as a rebate of an amount paid in error. Refer to the section “Rebate for amounts paid in error” of this publication for details on this rebate.

Example 25 – Provincial point of sale rebate for children’s clothing

A charity purchases children’s winter coats in Ontario for \$5,000. The coats are qualifying children's clothing for purposes of the Ontario point-of-sale rebate of the provincial part of the HST. The charity is not eligible to claim input tax credits.

The retailer collects only the 5% federal part of the HST and credits the Ontario point-of-sale rebate amount of \$400 ($\$5,000 \times 8\%$) to the charity at the point of sale (8% being the rate of the provincial part of the HST in Ontario). On the invoice, the retailer discloses the total HST payable and the provincial point-of-sale rebate amount credited as follows:

Price of children's coats	\$5,000
HST @ 13%	\$650
Subtotal	\$5,650
Point-of-sale rebate @ 8%	\$400
Amount due	\$5,250

The amount paid as a point-of-sale rebate of the provincial part of the HST is not included in the calculation of the provincial non-creditable HST charged in respect of the children’s clothing for the claim period pursuant to subsection 234(4).

The federal part of the HST paid on this purchase is \$250 ($\$650 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the non-creditable GST charged in respect of the children’s clothing for the claim period.

Example 26 – Federal rebate and provincial point-of-sale rebate for printed books

A PSB purchases printed books for \$3,000 in Ontario for its own use. The PSB is a “specified person” and the books qualify for both the federal rebate for printed books and the Ontario point-of-sale rebate for qualifying books. The PSB is not eligible to claim input tax credits.

The book publisher collects only the 5% federal part of the HST and credits the Ontario point-of-sale rebate amount of \$240 ($\$3,000 \times 8\%$) to the PSB at the point of sale (8% being the rate of the provincial part of the HST in Ontario). On the invoice, the book publisher discloses the total HST payable and the provincial point-of-sale rebate amount credited as follows:

Price of books	\$3,000
HST @ 13%	\$390
Subtotal	\$3,390
Point-of-sale rebate @ 8%	\$240
Amount due	\$3,150

The amount paid or credited as a point-of-sale rebate of the provincial part of the HST is not included in the calculation of the provincial non-creditable HST charged in respect of the books for the claim period pursuant to subsection 234(4).

The federal part of the HST paid on this purchase is \$150 ($\$390 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the books for the claim period.

Pursuant to subsection 259.1(2), the PSB is entitled to claim a \$150 printed book rebate of the federal part of the HST paid on the purchase of the books. This amount is included in subparagraph 259(1)(b)(ii) when calculating the federal non-creditable HST charged in respect of the books.

Therefore, the federal non-creditable HST charged in respect of the books for the claim period is \$0 ($\$150 - \150). There is no amount eligible for the PSB rebate, as all of the federal part of the HST paid is recovered through the federal printed book rebate.

107. For a detailed description of the qualifying items, refer to reason code 16 “Provincial point-of-sale rebate on qualifying items” in Guide RC4033, *General Application for GST/HST Rebates*.

New residential rental property rebate

108. Generally, a person that is a landlord may be eligible under section 256.2 to claim a new residential rental property (NRRP) rebate for some of the GST or federal part of the HST payable on the rental property (see paragraph 109 of this memorandum regarding rebate restriction under subsection 256.2(9)) if, for residential rental purposes,

- it purchased newly constructed or substantially renovated residential complex from a builder;
 - it constructed, or hired someone else to build, a residential complex or an addition to a multiple unit residential complex;
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- it substantially renovated, or hired someone else to substantially renovate, a residential complex;
 - it converted a non-residential property into a residential complex; or
 - it made an exempt lease or sublease of land to another person.

109. Pursuant to subsection 256.2(9), a PSB that is eligible to claim a PSB rebate for any part of the tax payable on a residential rental property cannot claim the NRRP rebate for the GST or the federal part of the HST.

110. If the residential rental property is situated in British Columbia and the tax became payable before April 1, 2013, or if the residential rental property is situated in Ontario, in addition to the PSB rebate for some of the federal part of the HST, a PSB may be entitled under section 256.21 and Part 8 of the *New Harmonized Value-Added Tax System Regulations, No. 2* to claim a NRRP rebate for a portion of the provincial part of the HST.

111. A PSB in Ontario or, where the HST became payable before April 1, 2013, in British Columbia, may meet the conditions for claiming both a provincial NRRP rebate and a PSB rebate of the provincial part of the HST. In this case, the PSB is entitled to claim **either** the provincial NRRP rebate or the PSB rebate of the provincial part of the HST, whichever has the higher rebate rate. If a PSB chooses to claim the provincial NRRP rebate, the PSB cannot claim a PSB rebate of any of the provincial part of the HST payable on the last acquisition of the rental property.

112. For more information regarding the new residential rental property rebate and the filing deadlines for claiming the rebate, refer to Guide RC4231, *GST/HST New Residential Rental Property Rebate*.

Rebate for amounts paid in error

113. Under subsection 261(1), a PSB may receive a rebate if,

- it paid or remitted an amount as or on account of, or that was taken into account as, tax or net tax that it should not have paid or remitted, or that was more than it had to pay or remit; or
- it paid an amount as penalty, interest, or any other similar obligation that was not payable or remittable.

114. GST/HST paid in error is not “tax”, which is defined in subsection 123(1) as tax payable under Part IX. Therefore, GST/HST paid in error cannot be included in the calculation of non-creditable tax charged. As such, there is no non-creditable tax charged in respect of property or services where GST/HST was paid in error in respect of the supply, importation, or bringing into a participating province of the property or service. If a PSB has paid or remitted an amount as or on account of tax in error, it cannot claim a PSB rebate to recover this amount, rather it must claim a rebate under section 261.

115. A PSB would only be entitled to a rebate under section 261 if the supplier does not refund, adjust, or credit amounts paid as tax by the PSB. A PSB is not entitled to both a refund, adjustment, or credit of an amount as tax from a supplier and a rebate from CRA in respect of the same amount.

116. The PSB must file the application for the rebate within two years after the day the PSB paid or remitted the amount in error. The PSB will claim this rebate by completing Form GST189, *General Application for Rebate of GST/HST* (using code 1C).

117. For more information, refer to Guide RC4033, *General Application for GST/HST Rebates*.

A PSB claims a PSB rebate for a claim period and becomes entitled to another rebate in a subsequent claim period

118. For an amount to be included in subparagraph 259(1)(b)(ii), the amount of the other rebate must match up with a specific amount of tax included in paragraph 259(1)(a) for the claim period. Entitlement to some rebates will arise at the same time as the GST/HST becomes payable. However, other rebates have conditions that may not be satisfied until some point in the future (for example, rebates under section 260 for property or services exported and section 261.1 for tangible personal property acquired in a participating province and removed to a non-participating province).

119. If a PSB is not entitled to another rebate of the GST/HST at the time it claims a PSB rebate for the claim period in which that GST/HST was paid or payable, there will be no amount included in subparagraph 259(1)(b)(ii). If the PSB then becomes entitled to another rebate (non-PSB) after having claimed a PSB rebate for that same tax, the other rebate will not impact the non-creditable tax charged calculation. However, pursuant to section 263, the other rebate would not be paid or granted to the PSB to the extent that the amount of tax has previously been rebated to the PSB. The part of the other rebate amount that was not previously rebated will not be included in subparagraph 259(1)(b)(ii) for the subsequent claim period, as there is no corresponding amount of tax included in paragraph 259(1)(a) for that claim period.

A PSB obtains a remission order

Subparagraph 259(1)(b)(ii) of the definition of “non-creditable tax charged”

120. Subsection 23(2) of the *Financial Administration Act* gives the federal government the authority to grant remission orders. A remission order is an extraordinary measure whereby the federal government provides full or partial relief from a tax, penalty, or other debt, under certain circumstances, when such relief is not otherwise available under the existing laws. For example, on June 12, 2003, the federal government granted the 3rd IAAF World Youth Championships in Athletics Remission Order, which remitted customs duties, excise taxes and all or a portion of the GST paid or payable on goods such as personal effects, goods for free distribution, display goods and equipment imported into Canada in connection with the 3rd International Association of Athletics Federation World Youth Championships in Athletics that was held in Sherbrooke, Quebec in 2003.

121. If a PSB has received a remission order for an amount of tax that is included in paragraph 259(1)(a) in a particular claim period, the amount of the remission is included in subparagraph 259(1)(b)(ii). As a result, this amount is deducted from the amount determined under paragraph 259(1)(a) when calculating the non-creditable tax charged in respect of the property or service for the claim period.

A PSB receives a credit note or issues a debit note

Subparagraph 259(1)(b)(iii) of the definition of “non-creditable tax charged”

122. A supplier is permitted to adjust, refund, or credit GST/HST in situations where an excess amount of tax has been charged or collected, or where consideration for a supply is reduced sometime after the tax has been charged or collected.

Excess tax charged or collected

123. Under subsection 232(1), where a supplier has charged to, or collected from a PSB an amount as or on account of GST/HST in excess of the amount of tax collectible, the supplier may adjust the amount of tax charged where the excess amount was charged but not collected, or refund or credit the excess amount where the excess amount was charged and collected.

124. The supplier has up to two years after the day on which the excess amount was charged but not collected to adjust the amount of tax charged, or if the excess amount was collected, two years after the day on which it was collected to refund or credit the excess tax.

Reduction of consideration

125. Under subsection 232(2), where a supplier has charged to, or collected GST/HST from a PSB and the consideration for the supply is subsequently reduced, the supplier may, on the portion of the consideration that was reduced, adjust the excess amount of tax charged but not collected, or refund or credit the excess amount of tax charged and collected.

126. The supplier has up to four years after the end of the reporting period in which the consideration was reduced to adjust the amount of tax charged or to refund or credit the tax collected to the PSB.

Credit or debit notes

127. Under subsection 232(3), where a supplier adjusts, refunds, or credits an amount of tax that is in excess of the amount of tax collectible, or adjusts, refunds, or credits an excess amount of tax on consideration that has subsequently been reduced, to a PSB, the supplier must issue a credit note, that includes the prescribed information listed in the *Credit Note and Debit Note Information (GST/HST) Regulations*, within a reasonable time to the PSB, unless the PSB first issues a debit note containing the prescribed information to the supplier.

128. If a PSB has received a credit note or has issued a debit note for an amount in respect of property or a service that is included in paragraph 259(1)(a) for a particular claim period, the amount of tax that is adjusted, refunded, or credited is included in subparagraph 259(1)(b)(iii) for the particular claim period. As a result, this amount is deducted from the amount determined under paragraph 259(1)(a) when calculating the non-creditable tax charged in respect of the property or service for the particular claim period.

Example 27 – Supplier issues credit note

At the beginning of a claim period, a PSB purchases goods in New Brunswick for \$20,000. The supplier charges and collects \$3,000 in HST ($\$20,000 \times 15\%$) from the PSB. The PSB is not entitled to claim any input tax credits or any rebate (other than the PSB rebate), refund, or remission of this tax.

The consideration for the supply is subsequently reduced as a result of a volume rebate of \$1,000 that the supplier gives to the PSB. The supplier issues a credit note to the PSB that includes the prescribed information and shows that the amount of HST included in the volume rebate is \$130.43 ($\$1,000 \times 15/115$).

The federal part of the HST paid in respect of the supply of the goods is \$1,000 ($\$3,000 \times 5/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the goods for the claim period. The provincial part of the HST paid in respect of the purchase is \$2,000 ($\$3,000 \times 10/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

The federal part of the HST included in the amount credited is \$43.48 ($\$130.43 \times 5/15$). This amount is included in subparagraph 259(1)(b)(iii) when calculating the federal non-creditable HST charged in respect of the goods for the claim period. The provincial part of the HST included in the amount credited is \$86.95 ($\$130.43 \times 10/15$). This amount is included in subparagraph 259(1)(b)(iii) when calculating the provincial non-creditable HST charged in respect of the goods for the claim period.

Therefore, the federal non-creditable HST charged in respect of the goods for the claim period is \$956.52 (\$1,000 – \$43.48). The provincial non-creditable HST charged in respect of the goods for the claim period is \$1,913.05 (\$2,000 – \$86.95).

129. Under paragraph 232(3)(d), if a supplier adjusts, refunds, or credits an amount of tax to a PSB after a PSB rebate has been paid to, or applied to a liability of, the PSB, the PSB is required to pay the excess back to the Receiver General. The excess is equal to the difference between the rebate received and the amount of the rebate, if any, to which the PSB would have been entitled if the amount of tax that was refunded, adjusted, or credited by the supplier had never been charged or collected from the PSB in the first place. The amount of tax that is adjusted, refunded, or credited after a PSB rebate for a claim period has been paid to, or applied to a liability of the PSB, would not be included in subparagraph 259(1)(b)(iii) for any claim period.

130. For more information, refer to GST/HST Memorandum 12.2, *Refund, Adjustment, or Credit of the GST/HST under Section 232 of the Excise Tax Act*.

Non-creditable tax charged

131. Once all the calculations have been performed to determine the non-creditable GST charged/federal non-creditable HST charged and the provincial non-creditable HST charged for a claim period on a property by property, service by service basis, the PSB can calculate its PSB rebate of the GST, the federal part of the HST, and the provincial part of the HST.

Example 28 – Non-creditable tax charged

In a claim period, a registrant PSB (that does not use the net tax calculation for charities or the special quick method of accounting for PSBs) resident in Ontario makes the following purchases:

1) Office furniture

The PSB purchases office furniture in Quebec for \$12,000, on which it pays \$600 in GST (\$12,000 × 5%). The office furniture is immediately removed from Quebec and brought into Ontario for use exclusively in its exempt activities.

The PSB is required to self-assess tax under section 220.05 at the rate of 8% (8% being the provincial part of the HST in Ontario) on the value of the office furniture, which is \$12,000, because Quebec is not a participating province. The PSB self-assesses the amount of \$960 (\$12,000 × 8%) on Form GST489, *Return for Self-assessment of the Provincial Part of Harmonized Sales Tax (HST)*. The PSB is not entitled to claim input tax credits or any rebate (other than the PSB rebate), refund, or remission of this tax.

The GST paid of \$600 is included in subparagraph 259(1)(a)(i) when calculating the non-creditable GST charged in respect of the furniture for the claim period. The self-assessed tax of \$960 will be included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the office furniture for the claim period.

There is no amount included in paragraph 259(1)(b) when calculating the non-creditable GST charged or the provincial non-creditable HST charged. Therefore, the non-creditable GST charged in respect of the office furniture for the claim period is \$600 (\$600 – \$0) and the provincial non-creditable HST charged in respect of the office furniture for the claim period is \$960 (\$960 – \$0).

2) Photocopier

The PSB purchases a photocopier in Nova Scotia for \$14,500, on which it pays \$2,175 in HST ($\$14,500 \times 15\%$). The photocopier is removed from Nova Scotia within 30 days of purchase and brought into Ontario for use exclusively in its exempt activities.

The federal part of the HST paid in respect of the purchase is \$725 ($\$2,175 \times 5/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the photocopier for the claim period. The provincial part of the HST paid in respect of the purchase is \$1,450 ($\$2,175 \times 10/15$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the photocopier for the claim period.

The PSB is eligible to claim a rebate under subsection 261.1(1) of the 2% difference between the 8% rate of the provincial part of the HST in Ontario and the 10% rate of the provincial part of the HST in Nova Scotia.

The rebate is determined by the formula:

$$A - B$$

where

A = \$1,450 ($\$14,500 \times 10\%$) – that is, the provincial part of the HST paid in Nova Scotia.

B = \$1,160 ($\$14,500 \times 8\%$) – that is, the amount of the provincial part of the HST that would have become payable in Ontario if that tax were calculated on the amount of consideration for the supply.

The rebate available (A – B) to the PSB under subsection 261.1(1) is \$290 ($\$1,450 - \$1,160$), which is claimed on Form GST495, *Rebate Application for Provincial Part of Harmonized Sales Tax (HST)*. This amount is included in subparagraph 259(1)(b)(ii) and then subtracted from the amount determined under paragraph 259(1)(a) when calculating the provincial non-creditable HST charged in respect of the photocopier for the claim period.

Therefore, the federal non-creditable HST charged in respect of the photocopier for the claim period is \$725 ($\$725 - \0). The provincial non-creditable HST charged in respect of the photocopier for the claim period is \$1,160 ($\$1,450 - \290).

3) Stationery

The PSB purchases stationery in Ontario for \$6,000, on which it pays HST of \$780 ($\$6,000 \times 13\%$). The stationery is for use by the PSB in both its commercial and exempt activities. The PSB determines, using a fair and reasonable allocation method, that the stationery is for use 60% in the course of making taxable supplies for consideration and for use 40% in the course of making exempt supplies. Therefore, the PSB is eligible to claim an input tax credit of \$468 ($\$780 \times 60\%$). The other conditions for claiming an input tax credit have been met. The PSB is not entitled to claim any rebate (other than a PSB rebate), refund, or remission of this tax.

The federal part of the HST paid in respect of the purchase is \$300 ($\$780 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the stationery for the claim period. The provincial part of the HST paid in respect of the purchase is \$480 ($\$780 \times 8/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the stationery for the claim period.

The amount of the federal part of the HST for which the PSB is eligible to claim an input tax credit is \$180 ($\$468 \times 5/13$). This amount is included in subparagraph 259(1)(b)(i) when calculating the federal non-creditable HST charged in respect of the stationery for the claim period. The amount of the provincial part of the HST for which the PSB is eligible to claim an input tax credit is \$288 ($\$468 \times 8/13$). This amount is included in subparagraph 259(1)(b)(i) when calculating the provincial non-creditable HST charged in respect of the stationery for the claim period.

Therefore, the federal non-creditable HST charged in respect of the stationery for the claim period is \$120 ($\$300 - \180). The provincial non-creditable HST charged in respect of the stationery for the claim period is \$192 ($\$480 - \288).

Summary

Eligible purchases	Non-creditable GST charged
Office furniture	\$600

Eligible purchases	Federal non-creditable HST charged
Photocopier	\$725
Stationery	\$120

Eligible purchases	Provincial non-creditable HST charged
Office furniture	\$960
Photocopier	\$1,160
Stationery	\$192

Example 29 – Non-creditable tax charged

A charity is a GST/HST registrant, uses the net tax calculation for charities under section 225.1 and resident in Ontario. In a claim period, the property and services acquired by the charity are as follows:

1) Building improvement

The charity makes an improvement to its office premises in Ontario. The expenses related to the construction of the improvement amount to \$50,000, on which the charity pays HST of \$6,500 ($\$50,000 \times 13\%$). Using a fair and reasonable allocation method, the charity determines that it was using the real property primarily (more than 50%) in its commercial activities immediately after the charity last acquired the real property and as a result it is eligible to claim a 100% input tax credit of \$6,500. The other conditions for claiming an input tax credit have been met. The PSB is not entitled to claim any rebate (other than a PSB rebate), refund, or remission of this tax.

The federal part of the HST paid in respect of the improvement is \$2,500 ($\$6,500 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the improvement for the claim period. The provincial part of the HST paid in respect of the improvement is \$4,000 ($\$6,500 \times 8/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the improvement for the claim period.

The amount of the federal part of the HST for which the PSB is eligible to claim an input tax credit is \$2,500 ($\$6,500 \times 5/13$). This amount is included in subparagraph 259(1)(b)(i) when calculating the federal non-creditable HST charged in respect of the improvement for the claim period. The amount of the provincial part of the HST for which the PSB is eligible to claim an input tax credit

is \$4,000 ($\$6,500 \times 8/13$). This amount is included in subparagraph 259(1)(b)(i) when calculating the provincial non-creditable HST charged in respect of the improvement for the claim period.

Therefore, the federal non-creditable HST charged in respect of the building improvement for the claim period is \$0 ($\$2,500 - \$2,500$). The provincial non-creditable HST charged in respect of the improvement for the claim period is \$0 ($\$4,000 - \$4,000$).

2) Construction materials

The charity purchases construction materials in Ontario valued at \$18,000, on which it pays HST of \$2,340 ($\$18,000 \times 13\%$). The construction materials will be exported from Canada.

The federal part of the HST paid in respect of the exported construction materials is \$900 ($\$2,340 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the materials for the claim period. The provincial part of the HST paid in respect of the exported construction materials is \$1,440 ($\$2,340 \times 8/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the materials for the claim period.

Pursuant to section 260, the charity is entitled to claim a 100% rebate of the \$2,340 in HST paid on the construction materials exported from Canada. The federal part of the HST paid that is eligible for a rebate is \$900 ($\$2,340 \times 5/13$). This amount is included in subparagraph 259(1)(b)(ii) when calculating the federal non-creditable HST charged in respect of the materials for the claim period. The provincial part of the HST paid that is eligible for a rebate is \$1,440 ($\$2,340 \times 8/13$). This amount is included in subparagraph 259(1)(b)(ii) when calculating the provincial non-creditable HST charged in respect of the materials for the claim period.

Therefore, the federal non-creditable HST charged in respect of the exported construction materials for the claim period is \$0 ($\$900 - \900). The provincial non-creditable HST charged in respect of the exported construction materials for the claim period is \$0 ($\$1,440 - \$1,440$).

3) Catering services

The charity holds a fund-raising dinner and purchases catering services in Ontario in the amount of \$7,000, on which it pays HST of \$910 ($\$7,000 \times 13\%$).

The federal part of the HST paid in respect of the catering services is \$350 ($\$910 \times 5/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the federal non-creditable HST charged in respect of the catering services for the claim period. The provincial part of the HST paid in respect of the catering services is \$560 ($\$910 \times 8/13$). This amount is included in subparagraph 259(1)(a)(i) when calculating the provincial non-creditable HST charged in respect of the catering services for the claim period.

The charity is not entitled to claim input tax credits or any rebate (other than a PSB rebate), refund, or remission of this tax. Therefore, the federal non-creditable HST charged in respect of the catering services for the claim period is \$350 ($\$350 - \0). The provincial non-creditable HST charged in respect of the catering services for the claim period is \$560 ($\$560 - \0).

Summary

Eligible purchases	Federal non-creditable HST charged
Building improvements	\$0
Construction materials exported	\$0
Catering services	\$350

Eligible purchases	Provincial non-creditable HST charged
Building improvements	\$0
Construction materials exported	\$0
Catering services	\$560

Calculating the PSB rebate for charities and qualifying non-profit organizations

132. The following GST/HST info sheets will assist a PSB that is a charity or a qualifying NPO in calculating its PSB rebate of the GST, the federal part of the HST, and the provincial part of the HST:

Charities

- *GST/HST Info Sheet GI-172, Public Service Bodies' Rebate for Charities Resident Only in British Columbia*
- *GST/HST Info Sheet GI-173, Public Service Bodies' Rebate for Charities Resident Only in New Brunswick*
- *GST/HST Info Sheet GI-174, Public Service Bodies' Rebate for Charities Resident Only in Newfoundland and Labrador*
- *GST/HST Info Sheet GI-175, Public Service Bodies' Rebate for Charities Resident Only in Nova Scotia*
- *GST/HST Info Sheet GI-176, Public Service Bodies' Rebate for Charities Resident Only in Ontario*
- *GST/HST Info Sheet GI-177, Public Service Bodies' Rebate for Charities Resident Only in Prince Edward Island*
- *GST/HST Info Sheet GI-178, Public Service Bodies' Rebate for Charities Resident in One or More Non-participating Provinces*
- *GST/HST Info Sheet GI-179, Public Service Bodies' Rebate for Charities Resident in Two or More Provinces, at Least One of Which is a Participating Province*

Qualifying NPOs

- *GST/HST Info Sheet GI-180, Public Service Bodies' Rebate for Qualifying Non-Profit Organizations Resident Only in British Columbia*
- *GST/HST Info Sheet GI-181, Public Service Bodies' Rebate for Qualifying Non-Profit Organizations Resident Only in New Brunswick*
- *GST/HST Info Sheet GI-182, Public Service Bodies' Rebate for Qualifying Non-Profit Organizations Resident Only in Newfoundland and Labrador*
- *GST/HST Info Sheet GI-183, Public Service Bodies' Rebate for Qualifying Non-Profit Organizations Resident Only in Nova Scotia*

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- GST/HST Info Sheet GI-184 *Public Service Bodies' Rebate for Qualifying Non-Profit Organizations Resident Only in Ontario*
 - GST/HST Info Sheet GI-185, *Public Service Bodies' Rebate for Qualifying Non-Profit Organizations Charities Resident Only in Prince Edward Island*
 - GST/HST Info Sheet GI-186, *Public Service Bodies' Rebate for Qualifying Non-Profit Organizations Resident in One or More Non-participating Provinces*
 - GST/HST Info Sheet GI-187, *Public Service Bodies' Rebate for Qualifying Non-Profit Organizations Resident in Two or More Provinces, at Least One of Which is a Participating Province*

Further information

All **GST/HST technical publications** are available on the CRA website at cra.gc.ca/gsthstech.

To make a **GST/HST enquiry** by telephone:

- for **general GST/HST enquiries**, call **Business Enquiries** at **1-800-959-5525**
- for **technical GST/HST enquiries**, call **GST/HST Rulings** at **1-800-959-8287**

If you are located in **Quebec**, call **Revenu Québec** at **1-800-567-4692** or visit their website at revenuquebec.ca.

If you are a **selected listed financial institution** (whether or not you are located in Quebec) and require information on the **GST/HST** or the **QST**, go to cra.gc.ca/slfi or

- for **general GST/HST or QST enquiries**, call **Business Enquiries** at **1-800-959-5525**
- for **technical GST/HST or QST enquiries**, call **GST/HST Rulings SLFI** at **1-855-666-5166**