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# TREASURER'S UPDATE

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## Government Funding Could Have Additional Benefits

There are two scenarios:

### 1) If you are a not for profit organization, which is registered for GST:

In this case you collect GST from your taxable revenues, and you can claim ITC (input tax credits) on GST paid, but if you have taxable and exempt revenue and expenses, you can only claim back a portion of the GST paid e.g. the portion of GST paid to earn taxable revenues. You cannot claim back your payments of GST for exempt activities.

Let's say you have activities for children 14 years and under. You do not collect GST on the revenues, but you also cannot claim GST you paid to purchase supplies like uniforms or sports equipment.

You may have built an outdoor rink, which is used for pleasure only. You can not claim back the GST you paid. The same goes for the playground you built. This can amount to a fair expense for GST.

If you received government grant funding during the year, you may be able to claim back 50% of the GST paid.

To find out, whether you are eligible, you will have to calculate the percentage of government funding compared to your total revenue:

Add up all government funding for the year. Then add all the gross revenues received or receivable during the year. Take the percentage, and if this percentage is at least 40%, you met the government funding test for the year.



Now compile all GST paid you have not been able to claim an ITC for previously e.g. purchase of uniforms, playgroup equipment and toys, pleasure rink, playground etc. Keep a record of the GST compiled in case you have a GST audit some time. Then take 50% of the GST paid for these exempt items and claim as a rebate.

Print form GST 523-1 E "Non-Profit Organizations – Government Funding" from the internet and fill it out. If you are filing a rebate application for the first time, you have to complete Form GST 66 "Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund". There is a guide called GST/HST Public Service Bodies' Rebate. This includes form GST 66 as well as completion instructions.

You can remit these forms with your GST application and record the rebate on line 111. This will deduct the rebate from the amount payable, and you only have to submit the difference or wait for your refund.

## **2) If you are a not for profit association not registered for GST**

If you are not registered for GST, you still qualify for the rebate, if the percentage of government funding is 40% or more.

You go through the same procedure as above. Fill out the forms and submit them to the Canada Revenue Agency.

Once your eligibility is established by CRA, your rebate claim will be processed and you will have additional funding for your projects.

Don't miss out on this valuable funding source. If you had government funding during the year, take a few minutes to do this calculation.

*We wish you a wonderful and save summer!*