

Religious, Charitable & Benevolent Organizations

About this Guide

The information in this *Guide* explains how Retail Sales Tax (RST) applies to sales and purchases made by religious, charitable and benevolent organizations. Please note that this *Guide* replaces the previous version dated March 2001. Revisions to previous content have been identified by a bar (|).

Qualifying Organizations

A religious, charitable or benevolent organization means any organization defined as a “registered charity” by the federal government under subsection 248(1) of the *Income Tax Act* (Canada) **and** | which holds a charitable registration number issued by Canada Revenue Agency (CRA).

A non-profit organization that does not have a charitable registration number issued by the federal government will not qualify for the RST exemptions or refunds available to religious, charitable or benevolent organizations, except as specifically noted in this *Guide*.

Sales

Accommodation Camps run by religious, charitable and benevolent organizations must charge RST in the same way as commercial camps. If the camps are run by these organizations for disadvantaged persons, such as persons with disabilities and persons who are underprivileged, the organizations are not required to charge RST on meals or on transient accommodation.

RST does not apply to accommodation if it is provided free of charge to persons who are disadvantaged or indigent or offered at a low cost in establishments operated by religious, charitable or benevolent organizations. (See **RST Guide 301 - Accommodation**).

Fund Raising Events

Religious, charitable, benevolent, and non-profit organizations may sell items at fund raising events without collecting RST **provided** they pay the RST on the taxable items purchased for resale (including prepared foods) **and** the events are not held on a weekly, monthly, or other regularly scheduled basis. These organizations are not required to collect RST when selling donated goods at fund raising events. It is the responsibility of the donor to pay the applicable RST on the original purchase.

Organizations must collect RST on their sales when they hold regularly scheduled fund raising events or engage in any of the following activities:

- catering
- operating a retail outlet (sales of used adult clothing and footwear totalling \$50 per transaction or less are tax-exempt at such outlets)
- selling prepared foods in competition with commercial operators as part of an event or on the same site (at a fair or exhibition, for instance).

Fund Raising Events <i>(continued)</i>	If Retail Sales Tax (RST) is to be collected, the organization must obtain a Vendor Permit from the Ministry of Revenue. Once a permit has been issued, the organization may purchase goods that are to be resold exempt from RST.
Alcoholic Beverages	Organizations selling alcoholic beverages from licensed premises are considered to be carrying on a commercial operation and must collect RST on their sales. However, RST does not have to be collected on sales made under a special occasion banquet permit since the price of the banquet permit includes a levy in lieu of RST. (See RST Guide 302 - Alcoholic Beverages).
Subsidized Meals	RST does not apply to prepared food products when sold at a nominal charge to senior citizens and the needy through such programs as Meals on Wheels, or through missions, shelters, or similar institutions. Religious, charitable and benevolent organizations are not required to pay RST on meals (prepared food products) which are given away to others without specific charge .
Nevada Tickets	Nevada tickets are break-open lottery tickets sold to the public by charities and non-profit organizations. RST is not to be charged to the purchaser of the individual tickets . However, when charities and non-profit organizations purchase boxes of these tickets from distributors, they are required to pay RST to the distributors on the amount paid for the boxes of the Nevada tickets.

Exemptions

Labour	Religious, charitable, benevolent and non-profit organizations are not required to pay RST on labour and manufacturing overhead used to make sets, props and costumes for their own theatrical productions. However, RST is to be paid on the materials used to make these items.
Publications	The following may be purchased tax-exempt: <ul style="list-style-type: none"> • bibles, scriptures, sacred writings of all faiths, missals, prayer books, hymn books, pamphlets, booklets and similar printed matter published solely for the promotion of religion • church calendars, hymn and mass cards, photographs, paintings, drawings, mottoes and similar artwork produced solely for the promotion of religion, including any negatives and printing plates made to produce printed materials • films, filmstrips, videotapes and videodiscs, CD ROMs and DVDs purchased by a religious, charitable or benevolent organization, if used to promote its objectives and not for commercial exhibition or profit • printed instructional materials purchased for use and not for resale by a religious, charitable or benevolent organization. (Printed materials that, in any way, educate or teach a reader about a religious, charitable or benevolent organization, or the work that the organization does, or about a subject that relates to the purpose(s) of the organization may qualify for the exemption, even if those same printed materials also promote the organization and/or solicit funds).

Note:

Materials such as directories, price lists, stationery and forms are taxable.

Religious Items

Anyone may buy the following items tax-exempt if they will be used by a religious institution exclusively in that part of its premises where religious worship or sabbath school is regularly conducted. To buy these items tax-exempt, the purchaser must give a valid Purchase Exemption Certificate to the supplier.

- altars and altar desks, cloths and linens
- baptismal bowls, fonts and shells, communion ware, mass linen
- collection plates
- confessionals and confessional counters
- furniture such as chairs, stools, tables, pews, choir stalls, kneelers and prie-dieux, carpets and draperies
- lecterns and pulpits, lectern and pulpit cloths
- monuments, statues and memorials
- organs, pianos, chimes, bells and audio-visual equipment
- public address systems
- special lighting apparatus
- stained glass windows.

Note:

Clothing and vestments are taxable.

Rebates

Capital Investments

“Capital investment” of a religious, charitable or benevolent organization means the result of any construction project that is considered “real property” on completion of the project. “Real property” means land and any item permanently attached to land, such as buildings, roads, fences, etc. Capital investments also include fixtures, such as counters, cabinets, etc., that are considered to be permanently attached to real property when installed.

To qualify for a rebate, the organization must have:

- applied for a charitable registration number issued by CRA, **before the work starts**, and
- received the number at the time it applies for the rebate.

In addition, the organization must provide a written statement (signed by a member of the governing body of the organization) that all of the RST rebate will be used for the religious, charitable or benevolent purposes of the organization.

A rebate of the RST paid on materials used to repair buildings or structures that are leased will only be given if:

- the lease (including renewal terms) is for a period of 20 years or more, and
- there is a period of at least 10 years remaining in the lease agreement (including renewal terms) at the time the organization purchases the materials or enters into a written construction contract.

An organization may buy a building or structure **after it is built**. A rebate is not available on the amount paid for the building or structure but is available on materials used to repair it **after it is owned** by the organization.

Capital Investments (continued)

- | The organization does **not** qualify for a Retail Sales Tax (RST) rebate on capital investment projects if the building or structure is:
 - a hospital or nurses' residence
 - a school (as defined in subparagraph a, b, or c under the definition of "school" in Section 1 of Regulation 1013, *Retail Sales Tax Act*)
 - a university (includes a community college) that receives financial assistance directly or indirectly from the province
 - owned, leased or controlled in any way by a municipality or the local board of a municipality.

Rebate on Materials Purchased by the Organization

- | The organization may purchase its materials for a capital investment project directly from suppliers. If the organization's members or a contractor hired by the organization, provides the labour for the project, the organization can get a rebate of the RST paid on the materials.
- | When claiming a rebate, the actual RST paid and the following information shown on suppliers' invoices should be listed:
 - invoice date and number
 - date invoice was paid
 - | • amount of RST rebate claimed
 - name of supplier
 - description and use of items claimed.

Rebate on Construction Contracts for Materials and Labour

- | When an organization enters into a written construction contract with a contractor, for both labour and materials, for a capital investment project, the organization will not know the actual amount of RST paid by the contractor. In this case, the rebate is based on a percentage of the total contract price and architect's fees (see formulas below). If the construction contract involves progress payments to the contractor, the organization may send in rebate applications based on the dates of the progress payments.

The following costs must be removed from the total contract price before applying one of the formulas:

- building permit fees
- charges for temporary facilities
- costs of free-standing equipment
- demolition costs
- development charges or project consulting service fees
- equipment rental charges
- land or land improvement costs
- the value of performance bonds
- the cost of making, installing or repairing stained glass windows (these windows may be purchased tax-exempt).

Rebate on Construction Contracts for Materials and Labour
(continued)

The rebate is calculated using the following formulas:

1) For contracts that include the federal Goods and Services Tax (GST):		
Example: Total:	Contract price or progress payments (including architect's fees and GST)	\$ 117,600.00
Less:	Total of any costs not allowed (noted above including GST on those costs)	<u>10,600.00</u>
	Subtotal:	\$ 107,000.00
	Percentage to apply (3 per cent):	<u>x .03</u>
	Amount of rebate:	\$ <u><u>3,210.00</u></u>
2) For contracts that do not include GST:		
Example: Total:	Contract price or progress payments (including architect's fees)	\$ 75,000.00
Less:	Total of any costs not allowed (noted above)	<u>10,000.00</u>
	Subtotal:	\$ 65,000.00
	Percentage to apply (3.4 per cent):	<u>x .034</u>
	Amount of rebate:	\$ <u><u>2,210.00</u></u>

Filing Rebate Claim

A request for rebate of Retail Sales Tax (RST) can be made by completing a "General Application for Refund of Retail Sales Tax" form which is available at any Ontario Ministry of Revenue Tax Office. The governing body of the organization must apply for RST rebates and the application must be signed by an authorized official of the organization. The charitable registration number given to the organization by CRA, should be stated on each application.

The rebate application must include summaries showing how the RST refund was calculated. Any amounts claimed on individual summaries must add up to the total amount of the claim. Other documents, such as invoices and cancelled cheques, should also be sent with the claim or be made available for examination. If there are too many records to enclose with the claim, indicate on the application where the records can be reviewed.

For claims based on a percentage of the contract price, the following information should be listed:

- date of the contract and the contract price
- contractor's name and address
- description of the project
- architect's and engineer's fees, if not included in the contract price
- details showing how the rebate was calculated.

Rebate Time Limit

The following time limits for applying for a rebate are set out in the *Retail Sales Tax Act*:

- if the materials or goods are purchased by the organization, the rebate application must be **received** by the Ministry of Revenue **within four years after payment of the RST**.
- if the work was done by a contractor who supplied both labour and materials, the rebate application must be **received** by the Ministry of Revenue **within four years of the last payment on the contract**.

Legislative References

Retail Sales Tax Act, Section 2, Paragraphs 7(1)53 and 7(1)55, Clause 48(2)(d)

Regulation 1012 under the Act, Sections 1, 2 and 12

Regulation 1013 under the Act, Sections 1 and 14, Subsections 22(1) and 22(2)

For More Information

The information contained in this publication is only a guideline. For more information, please contact the Ontario Ministry of Revenue at 1 866 ONT-TAXS (1 866 668-8297) or visit our website at ontario.ca/revenue.

*Ce guide est disponible en français sous le nom « Organismes religieux, de bienfaisance et bénévoles n° 806F ».
Vous pouvez obtenir un exemplaire en appelant le 1 866 ONT-TAXS (1 866 668-8297).*

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ISBN 1-4249-2001-9 (Print)
ISBN 1-4249-2002-7 (HTML)
ISBN 1-4249-2003-5 (PDF)