
SCHOOL DISTRICT NO. 36 (SURREY)

No. 4900.3

REGULATION: SITE LOCAL FUNDS: HARMONIZED SALES TAX CONSIDERATIONS

1. PURPOSE OF REGULATION

1.1 Harmonized Sales Tax (HST) aspects of the administration of site local funds are addressed in this regulation, in particular when and how to:

- (a) collect and remit HST;
- (b) claim Input Tax Credits and Rebates at the appropriate rate;
- (c) change HST status; and
- (d) facilitate administrative processes.

2. ROLES AND RESPONSIBILITIES

2.1 The responsibilities of site management officers differ based on whether the site is a registered or non-registered branch for HST purposes.

2.2 **Registered branches** (sites with annual taxable sales exceeding \$50,000) are responsible to charge and remit, on time, HST, where it is applicable; and to ensure that Input Tax Credits or Rebates at the appropriate rates are realized. Failure to charge and remit HST could result in Canada Revenue Agency charging penalties and interest against the site.

2.3 Sites which are registered branches are to forward to the Finance Department by the 10th day following the monthly reporting period:

- (a) A completed memorandum of "HST Monthly Remittance/Rebate Information for Registered Branches" or, for schools utilizing the school's accounting software;
- (b) A summary of the month's HST transactions; and
- (c) A cheque payable to School District No. 36 (Surrey) for any HST payable.

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- 2.4 Designated non-registered branches (sites with annual taxable sales less than \$50,000 – Small Suppliers) are eligible for HST Rebates only. They are to forward to the Finance Department.
- (a) A completed memorandum of “HST Monthly Rebate Information for Non-Registered Branches” or, for schools utilizing the school’s accounting software; and
 - (b) A summary of the month’s HST transactions.
- 2.5 The Finance Department attends to the filing and follow-up of all Harmonized Sales Tax Returns and Rebate Applications on behalf of the School District.

3. HST REGISTRATION STATUS

- 3.1 Sites will have a HST status as being either:
- (a) Required to be a **REGISTERED BRANCH**; or
 - (b) Designated as a **SMALL SUPPLIER**, which we also refer to as a **NON-REGISTERED BRANCH**.
- 3.2 The HST status of a site is determined based on a **THRESHOLD** amount as established by the Canada Revenue Agency. This determination of threshold amount will determine the statutory reporting requirements as governed by the Excise Tax Act.
- 3.3 If the threshold amount has not been exceeded, then the site is considered to be a **SMALL SUPPLIER** for that calendar quarter and the ensuing month. [ETA 148 (1)]
- 3.4 Where a site is a small supplier/non-registered branch there is:
- (a) no obligation to collect HST on taxable supplies made;
 - (b) no right to claim Input Tax Credits; and
 - (c) rebates of 79.1% of HST paid, or 100% of HST on printed books not for resale, may be claimed.

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- 3.5 Sites which qualify for the small supplier exemption are to, on a calendar quarterly basis, verify that they are still eligible for the exemption.
- 3.6 **When a site ceases to qualify as a small supplier** (by exceeding the \$50,000 threshold), the site will have to start collecting HST on all taxable supplies.
- 3.7 The liability of collecting/remitting HST on taxable sales commences on the first day of the second month subsequent to the end of the calendar quarter in which the site ceases to be a small supplier. Failure to collect and remit HST can result in penalties and interest which must be paid from site local funds.
- 3.8 Where HST is charged, the site is eligible to claim an **Input Tax Credit** (100% HST recovery) on the related purchases.

4. SUMMARY OF HST

TABLE 4.1: SUMMARY OF HST TREATMENT OF SALES AND PURCHASES

Transaction type	Registered Branches (taxable sales in excess of \$50,000)	Non-registered branches (taxable sales less than \$50,000)
“EXEMPT SUPPLIES”		
<i>Sales</i>	<u>Do not</u> collect or remit HST on Exempt sales.	<u>Do not</u> collect or remit HST on Exempt sales.
<i>Related purchases of exempt sales</i>	<u>Do not</u> claim Input Tax Credit on related purchases, instead CLAIM 79.1% REBATE.	Do not claim Input Tax Credit on related purchases, instead CLAIM 79.1% REBATE.
<i>Purchases of printed books <u>not</u> for re-sale</i>	CLAIM 100% REBATE.	CLAIM 100% REBATE.

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"TAXABLE SUPPLIES"		
<i>Sales</i>	COLLECT AND REMIT HST ON TAXABLE SALES.	<u>Do not</u> collect or remit HST on taxable sales.
<i>Related purchases of taxable sales (with exception of prescribed goods & services noted below)</i>	CLAIM 100% INPUT TAX CREDIT.	Do not claim Input Tax Credit on related purchases, instead CLAIM 79.1% REBATE.
<i>Related purchases of prescribed goods & services (see 6.2)</i>		No Rebate is allowed.

- 4.2 When a site acts as an agent for a supplier (where the supplier is collecting/remitting HST calculated on the total amount received from the end buyer) then the site does not remit HST to Canada Revenue Agency. Nor is the school eligible for an Input Tax Credit or 79.1% Rebate. See Regulation #4910.1 – *School/Student Fundraising: Harmonized Sales Tax Considerations*, paragraph 4.2 (c), for an example of this type of arrangement.
- 4.3 The School District is eligible for a 100% HST rebate on printed books and audio recordings of printed books, which are not intended for resale. ETA Section 259.1(1) provides the definition of a printed book as not including anything that is or the main component of which is:
- (a) A newspaper;
 - (b) A magazine or periodical acquired otherwise than by way of subscription;
 - (c) A magazine or periodical in which the printed space devoted to advertising is more than 5% of the total printed space;
 - (d) A brochure or pamphlet;
 - (e) A sales catalogue, price list or advertising material;
 - (f) A warranty booklet or an owner's manual;
 - (g) A book designed primarily for writing on;
 - (h) A colouring book or a book designed primarily for drawing on or affixing thereto, or inserting therein, items such as clippings, pictures, coins, stamps or stickers;
 - (i) A cut-out book or a press-out book;

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- (j) A program relating to an event or performance;
- (k) An agenda, calendar, syllabus or timetable;
- (l) A directory, an assemblage of charts or an assemblage of street or road maps, but not including:
 - A guidebook, or
 - An atlas that consists in whole or in part of maps other than street or road maps;
- (m) A rate book;
- (n) An assemblage of blueprints, patterns or stencils;
- (o) Prescribed property; or

- (p) An assemblage or collection of, or any item similar to, items included in any of paragraphs (a) to (o).

5. TAXABLE SUPPLIES AND EXEMPT SUPPLIES

- 5.1 Issues related to taxable supplies and exempt supplies are relevant only to registered sites (over \$50,000 of taxable sales per annum).

- 5.2 For HST purposes “**supply**” means the provision of property or services in any manner. “Supply” encompasses virtually all transactions involving the sale or providing of goods and services. Under the Part IX of the Excise Tax Act, **supplies are either taxable or exempt.**

- 5.3 **Taxable supplies** are all supplies that are not specifically exempted in Schedule V of the Act. Taxable supplies are taxed at either 12%, 5% or 0%. **Zero rated** goods are listed in Schedule VI. Generally, sites do not sell zero rated supplies (prescription drugs, medical devices, basic groceries, etc.). On taxable supplies HST must be collected at the applicable rate (12%) and remitted to Canada Revenue Agency.

- 5.4 **EXEMPT SUPPLIES** are specifically defined in the Excise Tax Act, Schedule V. Parts III and VI are of particular relevance.

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TABLE 5.4: EXAMPLES OF EXEMPT SUPPLIES FOR A SCHOOL AUTHORITY

<p><u>Elementary and Secondary Schools</u> Academic Course Fees</p> <p>District level – A supply of teachers’ services provided by one school authority to another school authority.</p>	<p>“A supply made by a school authority in a province of a service of instructing individuals in a course that is provided primarily for elementary or secondary school students” [ETA Schedule V, III, 2]</p>
<p><u>Extra-Curricular Services</u> Extra-Curricular Fees Field Trip Fees School dance admissions School play admissions</p>	<p>“A supply of food or beverages (<u>other than food or beverages</u> prescribed for the purposes of section 12 and food or beverages <u>supplied through a vending machine</u>), services or admissions made by a school authority primarily to elementary or secondary school students during the course of extra-curricular activities <u>organized under the authority and responsibility of the school authority.</u>” [ETA Schedule V, III, 3]</p>
<p><u>Student Services</u> Hair cut charges of a hair dressing program Service charges (not parts) of an automotive course</p>	<p>“A supply made by a school authority of a service performed by an elementary or secondary school student or by an instructor of an elementary or secondary school student in the ordinary course of instruction of the student.” [ETA Schedule V, III, 4]</p>
<p><u>School Bus Services</u> Bus Passes</p>	<p>“A supply made by a school authority to elementary or secondary school students of a service of transporting the students to or from a school that is operated by a school authority.” [ETA Schedule V, III, 5]</p>
<p><u>Professional or Trade Courses</u> Not applicable</p>	<p>Supply of courses leading to a designation or accreditation supplied by organizations other than a school authority. [ETA Schedule V, III, 6]</p>

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<p><u>Credit Courses for Diploma or Degree</u> Courses offered through Continuing/Adult Education for which credit may be obtained toward a diploma or degree.</p>	<p>“A supply made by a school authority, public college or university of a service of instructing individuals in, or administering examinations in respect of, courses for which credit may be obtained toward a diploma or degree.” [ETA Schedule V, III, 7]</p>
<p><u>Other Fees Related to Section 7</u> Graduation Fees Student Council Fees Athletic Fees</p>	<p>“A supply of a service or membership the consideration for which is required to be paid by the recipient of a supply included in section 7 because the recipient receives the supply included in section 7.” [ETA Schedule V, III,7.1]</p>
<p><u>Vocational Courses</u> Continuing Education</p>	<p>“A supply, other than zero-rated supply, made by a school authority, vocational school, public college or university of a service of instructing individuals in, or administering examinations in respect of, courses leading to certificates, diplomas, licences or similar documents, or classes or ratings in respect of licences, that attest to the competence of individuals to practice or perform a trade or vocation, except where the supplier has made an election under this section in prescribed form containing prescribed information. [ETA Schedule V, III,8]</p>
<p><u>Tutoring and music lessons</u></p>	<p>A supply of a service of tutoring or instructing an individual in a course that is approved for credit by, or that follows a curriculum designated by, a school authority. [ETA Schedule V, III, 9]</p>
<p><u>Second Language Instruction</u> ESL courses offered by Continuing Education.</p>	<p>“A supply of a service of instructing individuals in, or administering examinations in respect of, language courses that form part of a program of second-language instruction in either English or French,</p>

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	where the supply is made by a school authority, public college or university or an organization that is established and operated primarily to provide instruction in languages. [ETA Schedule V, III, 11]
<u>School Cafeteria Meals</u> Cafeteria: food primarily sold to students excluding: (a) all sales through vending machines; (b) catering (other than students); and (c) snack foods (See Regulation #4900.2 – <i>District Revenues Collected at Sites: HST Considerations</i>)	[ETA Schedule V, III,12]
<u>Food Services Supplied to Schools</u> Contracts for School Meal program.	[ETA Schedule V, III, 14]
<u>Lease of Personal Property</u> Rentals of musical instruments, sports equipment and textbooks.	[ETA Schedule V, III,15]
<u>Non-Degree University and College Courses</u> Non-recreational Continuing Education courses that are part of a program that consists of two or more courses.	[ETA Schedule V, III, 16]

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<p><u>Fund-raising by volunteers</u> Most fundraising sales of goods by volunteers where price of goods does not exceed \$5.</p>	<p>[ETA Schedule V, VI, 4]</p>
<p><u>Volunteer-run bingo or casino admissions</u> Public Admission fees for (game-of-chance) amusement events operated by volunteers in schools. (See Regulation #4910.1 – <i>School/Student Fundraising: HST Considerations</i>)</p>	<p>[ETA Schedule V, VI, 5]</p>
<p><u>Direct Cost</u> Course Enhancement Fees, Home Economics and Industrial Arts Supplies. Direct cost recovery, non-fundraising activities which may include year book and agenda sales.</p>	<p>[ETA subsection 123(1) and ETA Schedule V, VI, 6] Direct Cost is defined in ETA subsection 123(1) as excluding administrative or overhead charges and net of any input tax credit or rebate which the site is entitled to claim.</p>
<p><u>Cheap admissions</u> Admission to a place of amusement where the maximum charge does not exceed one dollar.</p>	<p>[ETA Schedule V, VI, 9]</p>
<p><u>Nil Consideration</u> No charge for goods or service.</p>	<p>[ETA Schedule V, VI, 10]</p>
<p><u>Student Performances</u> Admission to performances and athletic events of students where the students do not receive remuneration or cash prizes.</p>	<p>[ETA Schedule V, VI, 11]</p>
<p><u>Recreational services for children</u> A membership in, or services supplied as part of, a program that consists of a series of supervised instructional classes or activities involving athletics, outdoor recreation, music, dance, arts, crafts or other hobbies or recreational pursuits where the program will be provided</p>	<p>[ETA Schedule V, VI, 12]</p>

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primarily to children 14 years of age or under (except where the program involves overnight supervision throughout a substantial portion of the program).	
<u>Real Property</u> Supplies of real property, but not including supplies listed in 25 (a) through 25 (j)	[ETA Schedule V, VI, 25]
<u>Miscellaneous</u> Where charges to students for tuition include an element for miscellaneous materials used in the educational service, the materials would be viewed as incidental to the provision of the education and, thus, exempt.	Incidental supply rates – section 138

6. CLAIMING INPUT TAX CREDITS AND REBATES

- 6.1 A Registered site can claim an **Input Tax Credit** (100% tax credit) on purchases which relate to the provision of goods and services where HST has been collected/remitted to Canada Revenue Agency. We are not entitled to claim an Input Tax Credit in respect of the HST paid on purchases relating to the making of exempt supplies. Nor is an Input Tax Credit available if the site is not required to collect/remitted HST on taxable supplies due to the Small Supplier status.

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6.2 Both Registered and Non-Registered sites, as a **SCHOOL AUTHORITY**, under Section 259 of the Act, may apply for a rebate of 79.1% of HST paid on purchases of goods and services except for:

- (a) purchases on which an input tax credit may be claimed;
- (b) purchases of printed books (not for resale) on which a 100% rebate should be claimed. See section 4.3 of this regulation for definition. [ETA 259.1(2)]
- (c) prescribed goods and services (which consist of types of expenditures that should not occur through site local funds – alcoholic beverages, tobacco, club membership, certain land and buildings).
- (d) Canada Revenue Agency does not consider a Parent Advisory Council to be a School Authority [ETA 123].

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