
SCHOOL DISTRICT NO. 36 (SURREY)

No. 4910.1

REGULATION: SCHOOL/STUDENT FUNDRAISING: HARMONIZED SALES TAX CONSIDERATIONS

1. PURPOSE OF REGULATION

- 1.1 Schools can conduct fundraising activities pursuant to Policy #4910 – *School/Student Fundraising* and must account for these funds pursuant to Policy #4900 – *Management of Site Based Funds*. The purpose of this regulation is to define the responsibilities of Principals and Vice Principals related to Harmonized Sales Tax (HST) matters arising from these activities.
- 1.2 Sections 5 and 6 of this regulation provide information on how HST affects the process of Parent Advisory Councils raising funds for the purpose of school support.

2. SCHOOL FUNDRAISING THROUGH DONATIONS

- 2.1 HST is not charged on funds raised through donations.
- 2.2 If charitable receipts are to be issued to make the donations income tax deductible to the donor, please see Policy #4430 – *Charitable Donations* and Regulation #4430.1 – *Charitable Donations*.

3. SCHOOL FUNDRAISING THROUGH GAMES OF CHANCE

- 3.1 Admissions to a bingo, casino night or other gambling events are not HST taxable as long as both:
 - (a) the event is operated exclusively by volunteers; and
 - (b) the event is not held in a commercial hall used primarily for gambling events.

(Excise Tax Act, Schedule V, part VI, 5.)
- 3.2 Where gambling events are conducted by a school, the administrative officer is responsible to ensure required licensing and reporting of the activity occurs.

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4. SCHOOL FUNDRAISING THROUGH THE RE-SALE OF GOODS

4.1 The tax treatment of revenue realized through the re-sale of goods can be determined by sequentially addressing three questions.

4.2 **QUESTION #1: Is the supplier of the goods merely paying the school a commission and is it the supplier who is responsible for collecting and remitting HST based on the total retail amount collected from the final end-user purchaser?**

(a) Yes, no HST remittance is required by the school.

(b) NO, go on to question #2.

(c) An example of the situation contemplated in question #1 is as follows:

Goods with a wholesale value of \$100 and retail value of \$200 which, with 12% HST on \$200, are sold to final purchasers for \$224. The school retains \$100 and remits \$124 to the supplier who is responsible to remit \$24 of HST to Canada Revenue Agency. In this situation, the school is not liable to remit HST to Canada Revenue Agency neither does the school qualify for any rebate or input tax credit related to the transaction. The school was a commission earning agent of the supplier, not an independent merchant of the goods.

4.3 **QUESTION #2: Are all the following conditions present?**

(E.T.A., Schedule V, Part VI, 4)

- The supply is in the course of fundraising;
- All salespersons are volunteers;
- The price of the goods does not exceed \$5 for each item; and
- The goods are not sold at an event where similar competing goods are sold by vendors in the business of making those sales.

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4.4 **QUESTION #3: Are the school's annual taxable sales in excess of \$50,000?**

(a) Yes, the school:

- must collect and remit HST on the sale; and
- may claim an Input Tax Credit for 100% of HST paid to enable the sale.

(b) No, the school **(if a designated small supplier branch)**:

- is not required to collect and remit HST on the sale; and
- may claim a rebate for 79.1% of the HST paid to enable the sale.

5. PARENT ADVISORY COUNCIL FUNDRAISING ACTIVITIES

5.1 Parent Advisory Councils (PAC's) raise funds in close conjunction with schools. Principals and Vice principals need a general understanding of how HST legislation impacts on these activities and on the funds ultimately realized by schools.

5.2 Canada Revenue Agency has provided a written interpretation that it does not consider a PAC to be a part of a "School Authority". As a school authority, we can only obtain rebates for HST arising from expenses we incur directly. We cannot recover HST on expenses which PAC's pay for directly.

6. PAC FUNDRAISING – EXAMPLES OF ARRANGEMENTS

6.1 A PAC may donate funds for the purchase of computers, playgrounds, books, etc. The Purchase would be made in the name of the school authority and HST would be paid thereon. A rebate of 79.1% (or 100% for printed books not for resale) of the HST paid could be claimed by the School District. The effect of the rebate is to enable more goods to be acquired with the funds or the same goods at less cost than would otherwise be the case.

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- 6.2 Where a PAC purchases and donates goods, no recovery of HST paid by the PAC can likely be made. From a financial perspective, this is a less desirable approach than utilizing the method described in 6.1.
- 6.3 A PAC may incur HST on expenditures in the course of raising funds to donate. An example being HST paid to a casino operator. As a school authority we are not able to claim HST rebates on expenditures incurred by a PAC.

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