Purpose:

The Federal Government's Goods and Services Tax (GST) is law and as such, there are many aspects of this tax, which affect how we operate. The following points are intended to clarify some of the issues, which affect SOM and its Regions.

What is the GST?

The GST is a tax on the consumption of goods and services in Canada. It is designed to be paid by the end user or purchaser and is collected by registered businesses or vendors. There are three basic rate categories of taxation.

- Taxable - most goods or services sold will be taxed. The current rate of tax is 6%.

- Zero-Rated - items such as wheelchairs and other medical devices are zero-rated. This means you will not pay GST on these items when you buy them, nor will you charge GST if you sell them. Technically, these items are still taxed, only the rate of tax is 0%. This area does not affect SOM much and will not be dealt with to avoid confusion.

- GST Exempt - most goods and services provided by charities will be GST exempt. This means that no GST is charged on goods and services sold by the charity. However, charities can only claim a 50% rebate on the GST paid on the purchases.

Does Special Olympics Manitoba have to collect GST?

Persons who carry on business in Canada are considered to be engaged in commercial activity and most goods or services sold in Canada are taxable. However, charities have been given a favourable status in the GST legislation. There are five exempting clauses, which effect SOM. If any of these provisions apply, in almost all cases, you will be exempt from collecting the GST.

- Small Suppliers: This refers to anyone whose proceeds from the sale of taxable goods and services is less than $30,000 per year. In other words, people who fall into this category would not collect the GST on the sale of goods or services. In most cases, all SOM Regions would fall into this category.

- Volunteer Exemption: An exemption will apply to the sale of any good or service where volunteers were used in more than 90% of the functions. That is, if at least 90% of the total number of people involved or the total number of hours worked are volunteered, GST does not apply.

  Again, the majority of activities a Region is involved in fall within this category.

  However, if we contract to someone to provide a service, i.e. catering a fund raising dinner, GST may apply.

- Nominal Consideration: The GST does not apply to goods or services provided at an amount equal to or less than the direct cost of the goods or services. Direct cost does not include the overhead or administrative expenses incurred in providing these. Thus, if you buy a sweater for $20 and sell it for $20, you do not need to collect the GST. If you sell it for $25, you may have to collect the tax if the other overriding clauses do not apply.

- Provision of Recreation Programs to Individuals who are Intellectually or Physically Disabled: Since this is part of our mandate and some of our programs are recreational in nature, we obviously qualify here. We do not have to collect GST on programs we run. If you charge a $10 fee to participate in a bowling program, the individual would not have to pay. However, if you have to pay the bowling centre to use their lanes, GST would apply to this cost, and the bowling facility would require to collect it.

  If the bowling facility were to run the program, the athlete would not pay GST on the fee charged and bowling centre would not be required to collect.

  It is only the disabled individual who is not required to pay GST. Those establishing the programs for the individual to participate in must pay GST on all taxable goods and services acquired.

- Donations: Items donated are GST exempt. That is, if you hold an auction, all used items or donated items are GST exempt. If you buy an article and then auction it off, GST would be collected unless one of the other overriding clauses apply.

It certainly appears that it would be a rare exception that a Region would not fall within one of the exempting clauses. This will ease the administrative workload as GST need not be collected in most situations.

However, we will still be required to pay GST on most goods and services purchased by us. We are however, able to claim some of that back.

We can claim an input tax credit only on the sale of a good or service for which we collected GST. As almost all of our activity will be exempt, that is, we will not collect GST, we will not be able to apply for an input tax credit.

We will, however, be eligible for a tax rebate of 50% of all GST paid to us. To receive this we must ensure that all invoices and receipts clearly indicate:

a) the vendor's GST registration number
b) the amount of GST paid

Where the GST is included in the price of the item, i.e. gas or in some stores, the receipt must indicate that the GST is included in the price and still must bear the GST registration number. You can calculate the amount of GST paid by taking 6/106 of the price paid if GST is included. Note that Provincial Sales Tax will always be shown as a separate item.

How do you file to collect the GST rebate?

As an incorporated charity, the Provincial Body is the only entity entitled to register. Thus, the Provincial Office will file a claim and once the rebate is collected, the Provincial Office will disburse the amount 'owed' to the Region. This is done once a year, after year-end.

Please note: All records of GST collected or paid for which a filing is made must be kept on record for a period of six years from the end of the year in which they were filed.