





You have to submit form GST523, *Non-Profit Organizations – Government Funding*, to demonstrate that you meet the government funding test for the year, and to support your calculation of the percentage of government funding. This form has to be filed for each fiscal year. Once we establish your eligibility, we can process your rebate claims for that period.

Your non-profit organization (NPO) may qualify for the 50% GST/HST rebate if your percentage of government funding is at least 40% of your revenues.

Government funding and revenues are recorded when they are received **or** become receivable – whichever is the earlier date. Ongoing revenue, such as sales, membership fees, and extraordinary government funding, or revenue items for activities extending over a number of years, such as a grant for capital property, should also be recorded in the same way.

This section defines the terms grantor, government funding, and total revenue, which are used to calculate the percentage of government funding described later.

1. **Grantor** includes all three levels of government: federal, provincial, and municipal. It includes Indian bands and bodies that federal, provincial, or municipal governments establish or control to fund charitable and non-profit activities.

Grantor does not include federal and provincial Crown corporations that perform only commercial activities (for example, funding from a Crown corporation that sells oil and gasoline for profit is not considered government funding), federal and provincial Crown corporations that supply financial services, as well as Crown corporations that do not have a government mandate to fund charitable and non-profit activities.

2. **Government funding** refers to financial payments (that is, an amount of money) from a grantor that can be measured and identified as government funding in your NPO's financial statements.

Government funding includes a payment (including a forgivable loan) from a grantor:

- to support or promote your organization's objectives (but not to pay for goods or services supplied by your organization to the grantor); or
- for an exempt sale of goods or services made by your NPO, if the goods and services are not for the use or consumption of the grantor or persons related to the grantor (for example, government funding of a local health unit to supply medical services to the public).

Government funding can be paid directly to the recipient (NPO) by a grantor or through another organization. For example, a national organization can allocate government funding to its provincial affiliates, and in turn, the provincial affiliates can redistribute the funds to their regional clubs. These payments can be included as government funding when:

- the funds are initially paid by a grantor;
- the funds are clearly identified as government funding in the recipient's financial statements;
- the funds do not pass through more than two organizational levels. For example, grantor organization A (national) to organization B (provincial) to organization C (regional) would be acceptable;
- the intermediate organization that provides funds to the final recipient completes Form GST322, *Certificate of Government Funding*, to confirm that the payment is government funding; and
- the funds would be considered to be government funding if they were instead paid by a grantor directly to the final recipient for the same purpose as the amounts were paid by the intermediary.

Government funding does **not** include indirect or non-financial forms of assistance, low-interest loans and loan guarantees, any goods or services supplied at a subsidized price, or a refund or rebate of, or credit in respect of, taxes, duties or fees imposed under any statute.

### 3. Total revenue includes the following amounts:

- income from investments (interest and dividends);
- proceeds from the issuance of equity securities;
- government funding;
- capital contributions, such as proceeds from the issuance of shares, and fund member or third party advances to an NPO as contributions to the capital of the organization (for example, a club requires its members to buy non-transferable, non-redeemable shares in return for the right to join the club);
- loans from people with whom the organization is not dealing at arm's length (for example, an NPO funds another related NPO through loans with unusually low interest rates). If the loans are later reimbursed, they will be deducted from revenue at that time; and
- non-capital distributions from a trust to the NPO.

Also include the following amounts from which you can deduct 25% to take into account the cost of fund-raising:

- all receipts from sponsorships;
- all receipts from taxable (including zero-rated) and exempt sales of goods and services (do not include receipts from sales of real property or capital property, benefits granted to employees or shareholders, or goods you are deemed to have sold when you cease to be a registrant);
- financial payments, such as private gifts and donations, if they are provided to an NPO in the form of financial payments that can be measured and are identified as such in the organization's financial statements;
- proceeds from gambling activities, minus prizes and winnings paid out; and
- the total of all amounts by which the fair market value of a financial instrument exceeds the consideration paid or owed for the instrument.

Deduct from your total any amounts you repaid during the year. You will then have the amount of total revenue you need to calculate your percentage of government funding.

### 4. Percentage of government funding

Calculate the percentage of government funding as follows:

Current year calculation:

$$\frac{\text{Government funding for the current fiscal year}}{\text{Total revenue for the current fiscal year including government funding}} \times 100$$

- If this is your **first** fiscal year, use the current year calculation.

- If this is your **second** fiscal year, use the greater of the current year calculation, or

$$\frac{\text{Government funding for the first fiscal year}}{\text{Total revenue for the first fiscal year including government funding}} \times 100$$

- In any other case, use the greater of the current year calculation, or

$$\frac{\text{Government funding for the two immediately preceding fiscal years}}{\text{Total revenue for the two immediately preceding fiscal years including government funding}} \times 100$$