

REBATES ON GST AND HST

GST and HST

The GST is the federal government's tax on consumption, which is levied at the point of sale. HST is a blended tax. It combines the GST and the more limited provincial sales tax. The HST will now be due on almost any item for which GST is charged.

Because, unlike other businesses, housing co-operatives and many other non-profits are not able to collect GST or HST from their customers (for a co-op, the members), they are allowed to claim one or both of two rebates.

1. Municipal Rebate

Your housing co-op can claim a municipal rebate if

- a) it is non-profit
- b) the co-op has an operating agreement with the federal government or a province or territory, or is funded under Ontario's Social Housing Reform Act
- c) at least 10 per cent of the units pay a geared-to-income charge
- d) it receives authorization in writing from CRA to claim the municipal rebate on units occupied by households that pay according to their income (Units that receive internal subsidies do not count.)

Most Agency clients should be able to qualify for the municipal rebate.

2. Non-Profit Rebate

Your housing co-op can claim a non-profit rebate if

- a) at least 10 per cent of the units are occupied by residents who get rent-geared-to-income assistance with their housing charges
- b) at least 40 per cent of your co-op's revenue comes from government funding. This funding percentage is calculated either for the year just completed, or for the average of the past two years
- c) your co-op's financial statements show the funding as
 - o coming directly from a government source, or
 - o coming from a government source through an agency (not *the* Agency). The funding must also be identified on that agency's financial statements.

Most Agency clients should meet conditions (a) and (c) because

- they subsidize more than 10 per cent of their residents' housing charges using government funds (internal subsidies do not count)
- all co-ops already identify government funding in their financial statements.

To find out if your co-op can also get the non-profit rebate, all you have to do is to find out if 40 per cent of your revenues come from the government. For more information contact your co-op's auditor. Co-ops under the Federal Co-operative Housing Program (ILM co-ops) should qualify.

Section 61/27 Program Co-operatives

Some Section 61 and Section 27 co-ops received rent supplements through a tripartite agreement among the co-op, CMHC and the province. These co-ops need to check their agreement to see if the original agreement is still in effect. (Almost certainly it is not.) Most co-ops outside of Ontario have an addendum that extends the tripartite agreement. Other agreements were renewed by letter. A letter extending the agreement is acceptable if it is signed by the provincial housing ministry and refers specifically to your co-op. Send the directorate a copy of both the original tripartite agreement and the addendum or letter extending it.

Section 61 and Section 27 co-operatives in Ontario are in a more complex situation. If you are with one of these co-ops, please speak to your relationship manager as soon as possible about how to apply for municipal status.

Backdate to Claim More

You can backdate your claim for both rebates by four years. For example, in June 2010 Co-op A is in the middle of its fiscal year when it decides to apply for municipal status. Co-op A asks the directorate for municipal status going back to fiscal year 2006.

Summary

Your co-op can claim the municipal rebate even if you do not qualify for the non-profit rebate. If your co-op qualifies for both the municipal rebate and the non-profit rebate, you can claim both, going back four years. But you need to get municipal status first.

How to Apply

To apply for municipal status, your co-op will need to send a letter to the Excise and GST/HST Ruling Directorate at Canada Revenue Agency (CRA). Co-ops have to get the status before asking for the rebate. Your letter should include

- a request that your co-op be designated as a municipality under subsection 259(1) of the *Excise Tax Act* for purposes of the HST rebate
- the date on which you want the designation to start (month, day, year) Make sure to use the first day of your fiscal year as the starting date.
- your co-op's date of incorporation
- your co-op's Interest Adjustment Date. This is the first day of the first term of your mortgage. (If you don't know this date, ask your relationship manager at the Agency.)
- the number of units in the co-op
- the percentage of units normally paying a charge geared to their income (apart from any units that benefit from an internal subsidy paid for from operations.)
- the name of the program under which the co-op was developed.

Your relationship manager or your co-op's auditor can help you with your application. Your accountant or lawyer may submit the application for municipal status on your co-op's behalf. A sample letter follows. The places where you need to fill in information about your co-op are in square brackets and marked in red.

Your co-op needs to send copies of these documents with your letter:

- the co-op's incorporation documents
- the co-op's signed and dated operating agreement with CMHC. Include all schedules. If the agreement is not in your files or with your lawyer, you can find a copy on the Agency's password-protected client website. Check with your relationship manager if you don't know your user name and password.
- the co-op's agreement with the government that provides funding for the RGI units. If your co-op's funding for the subsidized units comes entirely through the operating agreement (Section 95), you have already met this requirement.
- a letter or other document that confirms the co-op's Interest Adjustment Date (IAD).
- If co-op's lawyer or accountant sends in the application, a letter signed by the co-op authorizing him or her to ask for municipal status on the co-op's behalf.

The directorate at CRA will send your co-op an official letter when your application is approved.

The Agency for Co-operative Housing is grateful to the Co-operative Housing Federation for permission to quote, refer to and modify materials developed for sale through the Co-op Housing Bookstore.

[Sample Letter Asking for Municipal Designation]

[Co-op Letterhead]

[Month, Day, Year]

Director, Public Service Bodies and Governments
Excise and GST/HST Ruling Directorate
320 Queen Street, Tower A, 15th floor
Ottawa ON K1A 0L5

Dear Sir/Madam:

Re: Request for Municipal Designation

We are writing to ask you to designate our housing co-operative as a municipality under subsection 259(1) of the *Excise Tax Act* for the purposes of claiming the municipal HST rebate. Please set the municipal designation retroactively to *[the beginning of your fiscal year—month, day, year—four fiscal years prior to the date of application]*.

[Your co-op's name] is a non-profit housing co-op that provides social housing to its members. The co-op was incorporated on *[month, day, year]* and started operations on our mortgage Interest Adjustment Date of *[month, day, year]*.

The co-op has *[number of units]* housing units, of which we are required by our operating agreement with *[name of government, agency, or municipal service provider]* to set aside at least *[__%]* as rent-geared-to-income housing. Government assistance makes it possible for *[__]* per cent of households to pay a geared-to-income rate. The co-op was financed under the *[name of program: Section 61; Section 95 (56.1), Federal Co-operative Housing or a combination]* Program.

For your information, we enclose the following documents:

- copy of our incorporation documents
- copy of our operating agreement
- copy of our RGI funding agreement *[if available]*
- Letter with confirmation of our Interest Adjustment Date.

We trust that this information will allow you to process our request for municipal designation. If you have any questions, or require additional information, please contact us at the above address.

Yours truly,

[Signature]

[Name]

[Position]