



Chapter 4

GST ACCOUNTING

This chapter explains how to account for the GST and how to complete GST returns and rebate claims.

Determining GST Paid or Payable

You can determine the total amount of GST paid or payable by adding up the GST incurred on each expenditure. Typically, the GST is shown as a separate amount on invoices or other purchase documentation. However, in some instances, the GST is included in the price you pay. In this case, you calculate the GST as 7/107 of the amount paid. For example:

$$\text{Item purchased} \quad \$35 \times 7 \div 107 = \$2.29 \text{ GST}$$

If you reimburse an employee for a taxable expense, such as purchasing office supplies, the CRA considers your organization to have made the expenditure and you can claim the GST included in the reimbursement. Alternatively, you can calculate this GST as 6/106 of the reimbursement. The factor used is 6/106, rather than 7/107, to reflect the fact that these types of expenses often include PST and gratuities that are not subject to the GST.

Recording GST

Below are examples of how you can record and account for the GST. Your accountant may be able to help you determine the method that best suits your needs and accounting abilities.

Claiming Rebates Only

Housing providers who only claim rebates may wish to set up two accounts: a GST receivable account and a clearing account. If you are designated as a municipality, but not all your units are rent-g geared-to-income, three accounts are suggested:

- One to record the 100% rebate on RGI units,
- One to record the 50% rebate on non-RGI units, and
- A clearing account.

While waiting for a refund, the clearing account allows you to easily segregate rebate claims you have already submitted to the Canada Revenue Agency from amounts not yet claimed.

To process each expenditure that includes GST, post the appropriate portion of the GST to your GST receivable account. At the end of your reporting period, claim the GST using the *Rebate Application Form*. (See how to complete this form later in this chapter, on page 46. A copy is included on page 73 in the appendix.)



When you determine the amount of rebate you will be claiming from the Canada Revenue Agency, you can transfer that amount into the clearing account to keep the amounts you have paid and claimed separate. When the rebate is received, post the cheque to the GST clearing account. Then you repeat the process for your next reporting period.

Rebate Example

Assume a housing provider operating a housing-only complex incurs \$10,000 in taxable expenses (utilities, repairs, etc.) during a reporting period, and has no other taxable transactions during the period. The GST payable on the expenses is $(\$10,000 \times 7\%) = \700 . The housing provider is entitled to a 50% rebate.

1) Accounting entry to record payment of expenses

Debit	Expense ($\$10,000 + 50\%$ of $\$700$)	\$10,350	
Debit	GST receivable account (50% of $\$700$)	\$350	
Credit	Cash		\$10,700

2) Accounting entry to close out rebate at month end when the GST return is filed

Debit	GST clearing account	\$350	
Credit	GST receivable account		\$350

3) Accounting entry to record receipt of rebate from the CRA

Debit	Cash	\$350	
Credit	GST clearing account		\$350

If the rebate received from the Canada Revenue Agency includes interest, do not credit the interest to your GST receivable or clearing account. Set up an interest income account for the interest amount. Only the rebate amount should be posted to the receivable account. Interest will only be included if the CRA takes more than 21 days from the date of filing to pay you the rebate.

Claiming Rebates and Input Tax Credits

We recommend that housing providers who are registered for the GST and claim input tax credits and rebates set up four accounts:

- GST collectible account,
- GST rebate account,
- Input tax credit account, and
- Clearing account

Any GST you charge on taxable revenues should be posted to the GST collectible account. When you process each expenditure that includes GST, post the portion of GST related to taxable activities to the input tax credit account, and 50% of the balance, if any, to the rebate account, assuming you are entitled to a 50% rebate.



At the end of your reporting period, claim the balance in the GST collectible and input tax credit accounts in your GST return, and claim the balance in the rebate account in the rebate claim form. Close out the balances in these three accounts to the clearing account.

If the net amount is payable, post the cheque you issue to pay the net amount to the clearing account. Similarly, if the net amount is a refund, post the refund cheque, net of any interest received, to the clearing account when you receive it. Any interest should be posted to a miscellaneous revenue account. Similarly, if you are late in paying an amount and are assessed interest, the interest payment should be posted to a miscellaneous expense account, not to one of the four GST accounts.

ITC/Rebate Example

Assume a housing provider has 25% taxable commercial space and 75% GST exempt residential space, and incurs \$40,000 in taxable expenses, such as utilities and repairs, during a reporting period.

The GST payable on the expenses is $(\$40,000 \times 7\%) = \$2,800$. Rent from the commercial space is \$20,000, so the housing provider collected $(\$20,000 \times 7\%) = \$1,400$ in GST. The housing provider is a qualifying non-profit, registered for the GST, eligible for a 50% rebate.

1) Accounting entry to record payment of expenses

Debit	Expense	\$41,050	
	<i>(\$42,800 cash minus the ITC and rebate claims)</i>		
Debit	ITC claimable/receivable	\$700	
	<i>(25% of \$2,800 GST payable on expenses)</i>		
Debit	GST rebate receivable	\$1,050	
	<i>(50% of remaining GST after ITC claim)</i>		
	<i>(\$2,800 - \$700 = \$2,100 x 50% = \$1,050)</i>		
Credit	Cash		\$42,800

2) Accounting entry to record commercial rentals

Debit	Cash	\$21,400	
Credit	Rental revenue		\$20,000
Credit	GST collectible		\$1,400

3) Accounting entry to close out rebate account when return filed

Debit	GST clearing account	\$350	
	<i>(\$1,400 - \$700 - \$1,050 = \$350)</i>		
Debit	GST collectible account	\$1,400	
Credit	ITC claimable/receivable		\$700
Credit	GST rebate receivable		\$1,050



4) Accounting entry to record receipt of rebate from the CRA

Debit	Cash		\$350
	Credit	GST clearing account	\$350

Again, if the amount refunded by the CRA includes interest, credit the interest amount to an interest account, not the GST clearing account.

This accounting summary assumes a housing provider has the time and resources to record the GST transaction by transaction. If not, you can use a more simplified method.

Smaller housing providers can determine the GST “in bulk,” after the fact. For example, if you are only eligible for rebates, you could simply add up all of the GST paid during the reporting period from your invoices and claim the rebate based on that total amount.

Please note that the GST input tax credits and rebates you claim should not be recorded as revenue. Net these ITC and rebate amounts against the expenses they relate to. For example, if you spent \$1,070 on a purchase and \$70 of the invoice was GST, you are entitled to claim it as an input tax credit, as your real expense was \$1,000. When you recover the \$70 GST as an input tax credit, it is not considered revenue.

Filing GST Rebate Claims

All housing providers who qualify for a rebate must complete and file a *Rebate Application Form GST 66* to claim the rebate. A sample form is included on page 73 in the appendix.

When to File a Rebate Claim

If you are registered for the GST, you must file your rebate claim with your GST return for the reporting period you have chosen, either monthly, quarterly or annually.

If you are not registered for the GST, rebate claims can be filed semi-annually or annually. Although you have up to four years to claim rebates, BC Housing requires you to file rebate claims at least annually.

Completing the Rebate Claim Form

All housing providers must complete sections A to E of the rebate claim form, which cover:

- Identification for your organization
- Your claim period
- Any amount offset in your GST return, if applicable
- Certification of the accuracy of the information you are providing
- Details of your rebate claim



Qualifying non-profit organizations also have to submit GST form GST 523, *Non-Profit Organizations – Government Funding*, annually to qualify for the 50% rebate. The form asks for information on your sources of funding to confirm your eligibility as a qualifying non-profit. A copy of GST form 523 is included on page 78 of the appendix. (Registered charities are not required to complete this form.)

If you receive funding from a regional health authority, you must also obtain a GST form 322 from the health authority. A copy of the form is included on page 82 of the appendix.

Designated Municipalities

If you have been designated as a municipality, you can claim a rebate for 100% of the GST you paid on expenses related to providing rent-geared-to-income units. You can include the GST payable on any RGI units in a newly completed building, under the self-supply rules. (See page 36 for an explanation of how the self-supply rules work.) Enter this amount in line 300 of section E on the claim form.

Charities and Qualifying Non-Profits

Charities and qualifying non-profit organizations can claim a rebate of 50% of the GST you incur on any expenses—including GST payable on a newly completed building, under the self-supply rules—for which you have not already claimed a municipal rebate or input tax credit. (See page 36 for information on the self-supply rules.)

- If you are a charity, enter the 50% rebate on line 305 of section E.
- If you a qualifying non-profit organization, enter the 50% rebate on line 306 of section E.

Filing GST Returns

If you registered for the GST, you must complete and file a *GST Return*, even if you do not provide any taxable goods and services and are only claiming rebates.

- If you provided any taxable goods and services (items you charged GST on) during your reporting period, enter the GST collectible on line 105 of the *GST Return*. This amount should include the 7% GST payable on a new development under the self-supply rules (see page 36 for details).
- If you are entitled to claim any input tax credits during your reporting period, enter these amounts on line 108 of the *GST Return*. This amount should include any input tax credits for GST incurred on costs related to developing a project.
- If you are claiming any rebates, enter the total amount of rebates claimed, from line 409 of the GST rebate claim form GST66, on line 111 of the *GST Return*.

A sample *GST Return* is included on page 76 of the appendix.