



# Ontario Fact Sheet: HST for EOM co-ops

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This fact sheet is written for Ontario housing co-ops regulated under the *Housing Services Act* (HSA), co-ops with a municipal service manager, to help them understand the impact of End of Mortgage (EOM) on their Harmonized Sales Tax (HST) rebates.

To understand the impact of EOM, we first need to be clear on how HST rebates are calculated.

## **How HST rebates work**

The HST is a combination of the federal government 5% sales tax, and the Ontario government 8% sales tax for a combined total of 13% tax on purchases. Co-ops can have a significant HST expense, especially if they are doing major capital work. Because of this, co-ops work to claim HST rebates that are available to them.

Co-ops can apply for two types of HST rebates if they qualify.

1. Qualifying non-profit organization rebates (NPO)
2. Municipal public service body rebate (Municipal)

## **NPO rebate**

Your co-op can apply for the NPO rebate if government funding totals at least 40% of its total revenue for the current year or the two immediately preceding fiscal years. Government revenue includes things such as RGI subsidy, operating subsidy and property tax subsidy as well as capital grant programs such as COCHI.

If your co-op qualifies for the NPO rebate, you get 50% of the GST part of the HST and 82% of the provincial part of the HST.

## **Municipal rebate**

To be eligible for the municipal rebate, the co-op must apply for and be granted municipal status. Many HSA co-ops have received this designation and are eligible to apply for a



Municipal rebate. The municipal status applies to the actual number of RGI units (not to the co-op’s RGI target). The Municipal rebate is 100% of the GST part of the HST and 78% of the provincial part of the HST.

If co-ops are eligible for both the NPO and the Municipal rebates, they can apply for both. Many HSA co-ops apply for both rebates. The example below illustrates how this works.

### Example calculation

This example is based on a co-op with 75% of the units being RGI and a total HST expense of \$10,000. The chart then breaks down the amount of the HST which would be the federal portion and the provincial portion and calculates both the NPO and Municipal rebates. The result is an HST rebate total of \$8,226.92 on their HST expense of \$10,000.

ABC Ontario Co-op		Eligible portion	Rebate
Percentage of RGI units	75%		
Percentage of non-RGI units	25%		
HST paid <i>federal portion</i>	\$ 3,846.15		
HST paid <i>provincial portion</i>	\$ 6,153.85		
HST paid total	\$10,000		

FEDERAL PORTION of HST	\$3,846.15		
Municipal portion of federal part of HST based on 75% RGI units		\$2,884.61	
Municipal rebate (federal portion) 100%			\$2,884.61
NPO portion of federal part of HST based on 25% non-RGI units		\$ 961.54	
NPO rebate (federal portion) 50%			\$ 480.77

PROVINCIAL PORTION of HST	\$6,153.85		
Municipal portion of provincial part of HST based on 75% RGI units		\$4,615.39	
Municipal rebate (provincial portion) 78%			\$3,600.00
NPO portion of provincial part of HST based on 25% non-RGI units		\$1,538.46	
NPO rebate (provincial portion) 82%			\$1,261.54

TOTAL HST REBATE			\$8,226.92
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For more details on eligibility and calculation of HST rebates, check out *GST/HST rebates: is your housing co-op at risk of losing them?* on CHF Canada's Resource Centre. Or, ask the person who prepares your HST rebate application such as your auditor or bookkeeper.

## **What can happen at EOM?**

At EOM, HSA co-ops have the option to sign a service agreement or an exit agreement with their municipal service manager.

If your co-op signs an exit agreement, it is possible it will lose all its HST rebate. This is because you are no longer getting RGI subsidy paid by the service manager, and the requirement of receiving a municipal status is that the RGI is paid by government. This means you would lose the Municipal rebate, and your government income would drop below the 40% threshold to be eligible for the NPO rebate.

The exception to this would be if your co-op was able to sign a rent supplement agreement with the service manager as part of an exit agreement. Doing this would likely make you eligible to keep the Municipal rebate.

If your co-op signs a service agreement, you would likely continue to get HST rebates. This is because you would continue to get an RGI subsidy from your service manager, making you eligible for the municipal designation and therefore those rebates. As long as your government revenue remains above 40%, you would also continue to get the NPO rebate.

However, there could be reductions in the amount of the rebate you get if:

- The number of RGI units drops. This would reduce the Municipal rebate.
- The amount of government revenue drops below 40% of total revenue. Whether this happens depends on the details of the funding under your service agreement. For example, your total could drop if there is no property tax subsidy, or the number of RGI units drops significantly. The amount of capital funding received could also have an impact if it increases the amount of government revenue or offsets the loss of other government funding.

The only way to know the impact of EOM on your co-op is to do some projections based on different scenarios. As part of your financial planning for EOM, you can get your bookkeeper or auditor to do a projection to see what the impact of EOM will be on your HST rebates.

There are lots of issues to consider at EOM and HST rebates are one small part. However, it is important to know how your HST rebates may change and be ready to deal with the impact.

For more information on CHF Canada's website:



- The EOM section of the Resource Centre
- The Accounting and Taxes area of the Financial section of the Resource Centre.