



Saskatchewan  
Association of  
Human Resource  
Professionals

## **January 20, 2010 – GST Update**

The Canada Revenue Agency has provided the SAHRP with a ruling regarding payment of GST on amounts paid by or for members who work for GST exempt entities. A distinction is made between membership dues (i.e. Regular, Associate, CHRP and SHRP) and purchases of other services and products.

Human Resource professionals are not a legislated body and membership in our association is not a necessary requirement for employment in GST exempt entities. Therefore, the SAHRP membership fees are subject to GST.

Purchases of goods and services will not be charged GST if payment is made directly by a GST exempt entity credit card. Purchases made with cash, cheque, or a personal credit card will be charged GST. If you place an order and pay by GST exempt entity credit card, it is your responsibility to advise the SAHRP. You may utilize the Additional Comments section.

*\*\*\*See the next page for the GST Interpretation Letter\*\*\**



Canada Revenue  
Agency

Agence du revenu  
du Canada

Prairie Region  
LPRA Division - GST/HST Rulings  
340 - 3rd Avenue North  
Saskatoon SK S7K 0A8

Byron J. Reynolds  
Box 32029 RPO Erindale  
Saskatoon SK S7S 1N8

Case Number: 116962

Chartered Accountant

September 17, 2009

Dear Mr. Reynolds:

**Subject: GST/HST INTERPRETATION**  
**Supply of memberships made to employees of provincial government departments**

Thank you for your fax dated August 2, 2009, concerning the application of the Goods and Services Tax (GST)/Harmonized Sales Tax (HST) to memberships supplied to employees of provincial government departments (PGD).

All legislative references are to the *Excise Tax Act* (ETA) unless otherwise specified.

We understand that you are the representative for the Saskatchewan Association of Human Resource Professionals (SAHRP). SAHRP is a non-profit organization (NPO) incorporated under *The Non-Profit Corporations Act, 1995* of Saskatchewan. SAHRP represents human resource professionals in Saskatchewan. Its mission is to promote and encourage leadership and expertise amongst human resource practitioners in all functional areas of human resource management, through provincial networks and developmental opportunities, while supporting professional standards to influence organizational excellence.

SAHRP makes memberships available to persons interested in the field of human resources. It also supplies its members and clients with other goods and services. It is registered for GST/HST purposes under business number 832110944.

#### **INTERPRETATIONS REQUESTED**

You would like to know if SAHRP is required to collect the tax on a membership supplied in respect of a PGD employee under the following scenarios:

- The invoice is billed in the name of the member but payment is made by a PGD.
- The invoice is billed in the name of the member and payment is made by the member, who is then reimbursed by a PGD.

- The invoice is billed in the name of the PGD with reference to the particular employee and payment is made by the PGD.

In addition, you would like to know if the responses to the above scenarios would be different if the supply being made was for goods or services rather than a membership.

## **INTERPRETATIONS GIVEN**

### *Background*

Subsection 165(1) of the ETA provides that every "recipient" of a taxable supply made in Canada shall pay to Her Majesty in right of Canada tax in respect of the supply. Most supplies of goods and services made in Saskatchewan are taxable at 5% unless they are specifically zero-rated or exempt. Zero-rated supplies are taxable at the rate of 0% and are listed in Schedule VI. Exempt supplies are listed in Schedule V and are not subject to the GST.

The term "recipient" is defined in subsection 123(1) of the ETA to mean, where consideration for a supply is payable under an agreement, the person who is liable under the agreement to pay that consideration.

### *Sales to provincial government departments*

There are special compliance measures applicable to provincial government departments, Crown Corporations, boards, commissions and agencies. In general, provincial government entities may be eligible to make purchases without paying the GST. These compliance measures are made under reciprocal taxation agreements (RTAs) between the Federal and provincial governments. The Canada Revenue Agency (CRA) maintains lists of the provincial entities that qualify for tax relief under the RTAs.

In order for a supply to be relieved of the GST, a vendor must maintain adequate documentary evidence that a provincial government body was the recipient of the supply of the goods or services. The documentary evidence should permit the amounts of sales not subject to the GST to be determined, substantiate that no GST was paid, state to which provincial department or entity the sale was made, and substantiate that the purchase was made with Crown funds.

A supplier must charge the GST on taxable sales to any purchaser who does not provide the required documentary support. For further information on vendor documentation for sales to provincial government entities, please refer to GST Memorandum 500-6-2, *Provincial Governments*, available on our Web site.

Membership fee billed to an individual

Generally, where an individual member is invoiced for a membership according to the terms of his/her membership in a professional organization, the individual is the recipient of the supply. Where the supply of the membership is taxable (please see page 4 for a discussion of memberships that may be exempt), the recipient is liable to pay the GST calculated at the rate of 5% on the value of consideration for the supply. The liability to pay the GST is not removed from the recipient where the employer, including a PGD, pays the fees either directly to the SAHRP on behalf of the employee or reimburses the employee at a later date.

Membership fee billed to a PGD

Generally, under the terms of a membership agreement, the individual member is responsible for the payment of membership dues. In the event that a member, or other entity, fails to make payment on his/her behalf, the individual member bears the consequences of the non-payment, up to and including the possibility of membership termination. Therefore, the individual who is required to pay the membership dues pursuant to the terms of his/her membership in a professional organization is the "recipient" of the supply of the membership.

It is the CRA's position that where a PGD enters into a payment arrangement whereby it is invoiced directly for the supply of a membership in respect of an employee and pays the invoice with Crown funds, the liability to pay the GST is not removed from the individual member. The supply of the membership billed to a PGD is, therefore, not relieved of the GST.

Purchases of other goods and services

Generally, purchases of taxable goods and services by employees of a PGD in their own name, including those made in the course of the employer's official business (e.g. reimbursable hotel and meal expenses incurred while on travel status), are not relieved of the GST. This is the situation regardless of whether the PGD pays the invoice directly on behalf of the employee or reimburses the employee for the supply.

Purchases of goods and services are generally relieved of the GST where an employee uses a government credit card and the invoice is issued to the PGD. Additional information on sales to provincial government employees can be found in aforementioned GST Memorandum 500-6-2.

**ADDITIONAL INFORMATION**

As we discussed during our telephone conversations, Part VI of Schedule V contains two sections under which the supply of memberships may be exempt from the GST. The first section applies to memberships supplied by a public sector body while second applies to memberships in a professional organization.

Membership in a public sector body

A membership in a public sector body, including an NPO, is generally taxable if the members receive any benefits other than those benefits outlined in the exemption under section 17 of Part VI of Schedule V. These “allowable benefits” are:

- the right to receive an indirect benefit intended to accrue to all members collectively;
- the right to receive investigation, conciliation, or complaint-settlement services supplied by the body for issues involving members;
- the right to vote at or participate in meetings;
- the right to receive or acquire property or services for consideration equal to the fair market value of the property or services at the time the supply is made;
- the right to receive a discount on the fee paid for a supply provided by the organization where the total value of all such discounts to which a member is entitled is insignificant (less than 30%) in relation to the membership fee; and
- the right to receive periodic newsletters, reports or publications for which the value is insignificant (less than 30%) in relation to the consideration paid for the membership, or that provide information on the activities of the body or its financial status, other than newsletters, reports or publications the value of which is significant in relation to the consideration for the membership and for which a fee is ordinarily charged by the body to non-members.

Generally, a “benefit” of membership is the right to any property or service of value regardless of the extent to which the right is actually exercised by individual members. The fact that a benefit is available to all members does not necessarily signify that the benefit is indirect. Benefits that are meant to accrue only to members by reason of their membership are generally direct benefits. Provision of any direct benefits not listed in the exemption above would cause the membership to be taxable.

If a NPO supplies a membership which provides no direct benefits or only those listed “allowable benefits”, the membership is exempt from the GST/HST unless the NPO has made an election to have its memberships made taxable by completing form GST 23, *Election by a Public Sector Body to Have Its Exempt Memberships Treated as Taxable Supplies*. This election does not have to be filed with the CRA, but a copy of the completed election form must be kept with the organization's books and records.

Membership in a professional organization

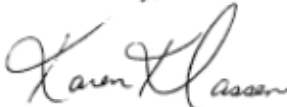
Under section 18 of Part VI of Schedule V, memberships in organizations in which a person is required to be a member in order to maintain a professional status, recognized by statute, are generally exempt from GST/HST. An organization does not have to be a public sector body in order for the organization's membership to qualify as an exempt supply under this section.

An organization may make an election to have its exempt professional memberships made taxable by completing form GST 24, *Election to Tax Professional Memberships*. This election does not have to be filed with the CRA, but a copy of the completed election form must be kept with the organization's books and records.

The foregoing comments represent our general views with respect to the subject matter of your request. These comments are not rulings and, in accordance with the guidelines set out in GST/HST Memorandum 1.4, *Excise and GST/HST Rulings and Interpretations Service*, do not bind the Canada Revenue Agency with respect to a particular situation. Future changes to the ETA, regulations, or our interpretative policy could affect this interpretation.

If you require clarification with respect to any of the issues discussed in this letter, please call me directly at 306-975-6268. Should you have additional questions on the interpretation and application of GST/HST, please contact a GST/HST Rulings officer at 1-800-959-8287.

Yours truly,



Karen Klassen  
GST/HST Rulings Centre