

## The Application of GST/HST to Children's Camps Operated by Charities and Non-Profits



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In December 2014, the Canada Revenue Agency ("CRA") released a revised version of GST/HST Info Sheet GI-037, "Children's Camps Operated by Public Sector Bodies" (the "Info Sheet"). This version replaced the previously issued version released in July 2007. This Info Sheet describes how the GST/HST applies to a children's camp operated by a public sector body ("PSB"). A PSB is defined in the *Excise Tax Act* (the "Act") to mean a government or a public service body. A public service body is further defined to mean a non-profit organization, charity, municipality, school authority, hospital authority, public college or university. While no substantive changes were made to the Info Sheet, its release provides a reminder with respect to the application of GST/HST to children's camps operated by a PSB.

Many PSBs operate camps that involve supervision or instruction in recreational or athletic activities. Whether the supply of the camp

by the PSB is taxable or exempt from GST/HST depends on several factors; the most significant of which is whether the camp has overnight supervision or not. Where a camp involves overnight supervision, the supply of the camp by the PSB is generally taxable regardless of the age of the children attending. Although children who attend such overnight camps may receive different forms of instruction, such as religious instruction or computer training, the supplies of these camps generally remain taxable provided the camps involve recreational or athletic activities.

The CRA provides the following example in the Info Sheet: a charity runs a week-long overnight camp for children who are 11 to 12 years of age. Children arrive Monday morning and depart the following Sunday afternoon. At this camp, the PSB offers a series of supervised activities involving athletics, water sports, and arts and crafts. During their stay at the camp, the children also receive

religious instruction twice a day. Although the camp offers religious instruction, the supply of the camp is taxable because the camp has overnight supervision. If the charity is a GST/HST registrant, it will have to collect GST/HST on the camp fees unless it can avail itself of an exemption.

Generally, there are two exemptions for a PSB operating an overnight camp as explained above. The first exemption from the requirement to collect GST/HST applies in cases where the PSB qualifies as a small supplier. If the PSB has total revenues from taxable supplies from all of the activities of the organization of \$50,000 or less in the last four consecutive calendar quarters and in any single calendar quarter, the PSB will be a small supplier and will be exempt from collecting GST/HST on camp fees. In addition, a charity or public institution will qualify as a small supplier if its gross revenue for either of its two preceding fiscal years does not exceed \$250,000.

The second exemption applies to PSBs operating camps involving supervision in recreational or athletic activities that are intended

to be provided primarily (generally meaning more than 50%) to individuals who are underprivileged or who have a disability pursuant to Schedule V 13 of the *Act*. The supplies of these camps are exempt even if the camps include overnight supervision and regardless of the age of the individuals attending. An example is a camp operated by a PSB that offers an overnight camp to children from economically disadvantaged homes who want to learn leadership skills through various sporting activities. Although there are athletic activities and overnight supervision involved, the supply of the camp is exempt because it is intended to be primarily for underprivileged individuals.

Where a PSB operates a day camp that does not involve overnight supervision, the supply of the camp will be exempt if the camp is primarily for children 14 years of age or under. Pursuant to Schedule V 12(a) of the *Act*, a supply made by a PSB will be exempt from GST/HST where the supply of services consists of supervised instructional classes or activities involving athletics, outdoor recreation, music, dance, arts, crafts or other hobbies or recreational

pursuits where it may reasonably be expected, given the nature of the classes or activities or the degree of relevant skill or ability required for participation in them, that the program will be provided primarily to children 14 years of age or under, except where the program involves overnight supervision throughout a substantial portion of the program. An example provided by the CRA is where a municipality offers an arts and crafts camp every Monday afternoon over a six-week period for children between the ages of 7 and 10. Although the camp involves a recreational activity, the supply of the camp is exempt since it is offered to children 14 years of age or under and there is no overnight supervision. However, the language contained in Schedule V 12(a), namely that the program will be exempt if it does not involve overnight supervision "throughout a substantial portion of the program", suggests that the above example would likely remain exempt from GST/HST even if the children had overnight supervision one or two Mondays over the six-week period.