

## How do I set up HST for my Charity/Non-Profit business in Ontario?

There is a manual set up required before QuickBooks will allocate your HST on those purchases correctly. There are 4 main steps for setting up the tax code in your QuickBooks file. Please contact Revenue Canada to confirm the following amounts in this document apply to your business.

### STEP 1 - Create a Tax Vendor

Create a vendor to track the portions of HST that is non-taxable. [How to create this tax vendor:](#)

#### Set up a tax vendor to track the Non-Taxable portions.

1. Go to the **Vendor Centre** and click **New Vendor**.
2. In the **Vendor Name** field, assign a name such as "Receiver General Non-Taxable".
3. On the right side of the New Vendor window, check **Vendor is a Sales Tax Agency**. A new tab called **Tax Agency Info** appears.
4. Click on the **Tax Agency Info** tab.
5. Leave the **Tax Return** field blank.
6. Enter a **Tax Label** of "NO TAX"
7. Leave the **Track tax on purchases to** un-checked to have this portion automatically included in the cost of the purchase (Note: To have the non-taxable portion allocated to a specific account check **Track tax on purchases to**, and select or create an account)
8. Click **OK**.
9. (QuickBooks 2010 only) Click **Continue Anyway** on the warning pop up

Then, proceed to Step 2, create the sales tax items.

### STEP 2 - Create new Sales Tax Items

Create 4 new sales tax items that make the HST amount calculate correctly and allocate the funds correctly in your QuickBooks File

Create a Sales Tax Item called "GST (ITC) 50%", which is the 50% portion of the 5% GST that is claimable on the GST/HST Return. [How to create this sales tax item:](#)

#### Create the "GST (ITC) 50%" sales tax item

1. Click on the **Lists** menu and click **Item List**.
2. Click the **Item** button and select **New**.
3. From the **Type** drop-down arrow, select **Sales Tax Item**.
4. In the **Sales Tax Name** field, enter "GST (ITC) 50%".
5. In the **Tax Rate** field, enter "2.5%".
6. From the **Tax Agency** drop-down, select **Receiver General**.
7. From the **Sales Tax Return Line**, select **Line 106 Input tax credits (ITCs)**.
8. Click **OK**.

Create a Sales Tax Item called "GST (ITC) 50% non-taxable", which is the 50% portion of the GST that is not claimable on the GST/HST Return. [How to create this sales tax item:](#)

#### Create the GST 50% non-taxable sales tax item

1. Click on the **Lists** menu and click **Item List**.
1. Click the **Item** button and select **New**.
2. From the **Type** drop-down arrow, select **Sales Tax Item**.
3. In the **Sales Tax Name** field, enter "GST (ITC) 50% non-taxable".
4. In the **Tax Rate** field, enter "2.5%".
5. From the **Tax Agency** drop-down, select the new **Receiver General Non-Taxable** Vendor.
6. From the **Sales Tax Return Line**, select **Tax Paid on Purchases**.
7. Click **OK**.

Create a Sales Tax Item called "PST (ITC) 82%", which is the 82% portion of the 8% PST that is claimable on the GST/HST Return. [How to create this sales tax item:](#)

**Create the "PST (ITC) 82%", sales tax item**

9. Click on the **Lists** menu and click **Item List**.
10. Click the **Item** button and select **New**.
11. From the **Type** drop-down arrow, select **Sales Tax Item**.
12. In the **Sales Tax Name** field, enter "PST (ITC) 82%".
13. In the **Tax Rate** field, enter "6.56%".
14. From the **Tax Agency** drop-down, select **Receiver General**.
15. From the **Sales Tax Return Line**, select **Line 106 Input tax credits (ITCs)**.
16. Click **OK**.

Create a Sales Tax Item called "PST (ITC) 18% non-taxable", which is the remaining 18% portion of the 8% PST that is not claimable on the GST/HST Return. [How to create this sales tax item:](#)

**Create the PST (ITC) 18% sales tax item**

2. Click on the **Lists** menu and click **Item List**.
8. Click the **Item** button and select **New**.
9. From the **Type** drop-down arrow, select **Sales Tax Item**.
10. In the **Sales Tax Name** field, enter "PST (ITC) 18% non-taxable".
11. In the **Tax Rate** field, enter "1.44%".
12. From the **Tax Agency** drop-down, select the new **Receiver General Non-Taxable** Vendor.
13. From the **Sales Tax Return Line**, select **Tax Paid on Purchases**.
14. Click **OK**.

### STEP 3 - Create a Sales Tax Group

Create a sales tax group that includes the sales tax items you just created in Step 2. This makes up the 13% HST Rate. [How to create this sales tax group:](#)

**Set up a sales tax group**

1. Click on the **Lists** menu and click **Item List**.
2. Click the **Item** button and click **New**.
3. From the **Type** drop-down arrow, select **Sales Tax Group**.
4. In the **Group Name/Number** field, enter an easily identifiable name, such as "HST for charity/non-profit".
5. Enter a **Description**, if desired.
6. Add the sales items from the previous Step 2:
  - Click the first line in the **Item** drop-down arrow and select "GST (ITC) 50%".
  - Click the second line in the **Item** drop-down arrow and select "GST (ITC) 50% non-taxable".
  - Click the third line in the **Item** drop-down arrow and select "PST (ITC) 82%".
  - Click the fourth line in the **Item** drop-down arrow and select "PST (ITC) 18% non-taxable".
  - Click **OK**.

Proceed to Step 4 and assign this group to your sales tax code.

### STEP 4 - Create Sales Tax Code

Create a new sales tax code that tracks the sales tax group you just created. [How to create this sales tax code:](#)

**Set up a sales tax code**

1. Click on the **Lists** menu and click **Sales Tax Code List**.
2. Click the **Sales Tax Code** button and click **New**.
3. In the **Sales Tax Code** field, enter "HS" (HST Special)

4. Select **Taxable**.
5. From the **Tax Item for Purchase** drop-down menu, select the sales tax group you created in Step 3 named "HST for charity/non-profit".
6. Click **OK**.

The code is now ready to be assigned to Purchase items, accounts, Vendors or used in a transaction.