

Not all input tax credits (ITCs) are created equal as there are a number of specific rules which registrants must consider when calculating how much of a tax credit may be claimed. The items described below are generally applicable to for-profit operations.

Operating Expenses

The percentage of ITCs which may be claimed on regular operating expenses will depend on the use of the expense in commercial activities. Expenses which may be incurred for commercial and non-commercial use (such as exempt activities) must be reviewed to determine what portion of the use relates to commercial activity, as the amount which can be claimed will be as follows:

% use in commercial activities	ITC eligible for most businesses
90% or more	100%
More than 10% and less than 90%	% of use
10% or less	No ITC can be claimed

An example would be sales tax paid for hydro on a building which is 60% commercial space and 40% residential rental space – only 60% of the sales tax paid on the hydro can be claimed as an ITC.

Meals & Entertainment

The amount of GST ITC that can be claimed on reasonable meal and entertainment expenses is similar to the deductible portion for income tax purposes. Generally, the claim can only be for 50% of the sales tax amount paid.

Club Memberships

GST ITCs paid in respect of a membership or right to acquire a membership to a club, where the main purpose of the club is to provide dining, recreational or sporting facilities, cannot be claimed. The most common example would be a golf course membership.

Capital Personal Property (Other Than Passenger Vehicles/Aircraft)

For capital personal property items (computers, furniture, equipment), a full ITC may be claimed when the commercial use is over 50%. If commercial use is less than 50%, then no ITC can be claimed at all.

Capital Personal Property of Passenger Vehicles/Aircraft

There are a number of factors for consideration with regards to claiming ITCs on passenger vehicles owned by a corporation. One overriding factor is that, you cannot claim any ITC for the portion of the purchase price which exceeds \$30,000 or if leasing the vehicle, the tax paid on monthly lease payments exceeding \$800 per month.

For what portion of the ITC can be claimed:

Commercial use percentage	For corporations	For partnerships and sole proprietors
90% or more	100%	100%
Between 50% and 90%	100%	Fraction * CCA
Between 10% and 50%	No ITC can be claimed	Fraction * CCA
Less than 10%	No ITC can be claimed	No ITC can be claimed

The fraction noted is generally related to the GST rate in place over the full cost – for example, in Ontario the fraction is 13/113 currently.