Docket: 2022-2596(GST)G

BETWEEN:

ALBERTA PELOTON ASSOCIATION,

Appellant,

and

HIS MAJESTY THE KING,

Respondent.

Appeal heard on January 28, 2026 at Calgary, Alberta

Before: The Honourable Justice John A. Sorensen

Appearances:

Counsel for the Appellant: John A. Winters

Counsel for the Respondent: Damon Park

JUDGMENT

This appeal against notices of assessment dated January 4 and July 10, 2017, by which the Minister of National Revenue denied certain of the Appellant's input tax credit claims, is allowed in full, with costs, and the matter is accordingly referred back to the Minister for reconsideration and reassessment.

Signed this 18th day of February, 2026.

"J.A. Sorensen"

Sorensen J.

Citation: 2026 TCC 32
Date: 20260218
Docket: 2022-2596(GST)G

BETWEEN:

ALBERTA PELOTON ASSOCIATION,

Appellant,

and

HIS MAJESTY THE KING,

Respondent.

REASONS FOR JUDGMENT

Sorensen J.

I. Overview and Summary Conclusion

[1] Although Peloton is a well-known brand name, it is also a common word for the main throng of riders in a bicycle race, who ride close together to lessen wind drag by following in the leaders' slipstream – a practice called drafting. This works until the end of the race, when co-operation yields to a sprint towards glory or, at least, respectability.

[2] This goods and services tax ("**GST**") case concerns whether the Alberta Peloton Association, a non-profit that staged the Tour of Alberta Road Race (the "**Race**") made supplies for which input tax credits ("**ITCs**") may not be claimed.

[3] The Appellant received ITCs for inputs acquired to fulfil obligations under Sponsorship Contracts (sometimes referred to by the parties as Sponsorship Agreements).[1] However, ITCs for inputs acquired to stage the Race itself (for example, operational costs) were denied on the basis that such inputs were acquired for consumption or use otherwise than in the course of the Appellant's commercial activities. This denial relied on arguments that the Race was produced to fulfil the Appellant's overall goals, rather than as a contractual obligation to sponsors and that,

[1] Capitalized terms not otherwise defined in these reasons are taken from the parties' materials.

to the extent the Race was a supply, it was made to Public Spectators for no consideration.

[4] For reasons set out in more detail below, it is not appropriate to isolate the Race from the Sponsorship Contracts for GST purposes. As a matter of practical and commercial reality, the Race and the Sponsorship Contracts were interdependent: the sponsors' branding, promotional, and participation rights were inextricably linked to staging the Race. The Race formed part of the taxable supplies made to sponsors and for consideration, so the related inputs were acquired in the course of the Appellant's commercial activities and were eligible for ITCs.

II. Issues

[5] The issue is whether s. 141.01(2)(b) applied to deem Race-specific inputs to have been acquired by the Appellant for consumption or use otherwise than in the course of its commercial activities, because the inputs were acquired to make supplies that were not taxable supplies made for consideration.

[6] The application of Schedule V-VI-10 of Part IX of the *Excise Tax Act* (Canada) (the "**ETA**") was argued, but the resolution of the issue set out in paragraph 5 above is dispositive.

III. Facts

[7] The parties filed an Agreed Statement of Facts ("**ASF**"),[2] which read as follows:

> Background and Chronology
>
> 1. By Notice of Assessment dated January 4, 2017 (the "**First Reassessment**"), the Minister of National Revenue (the "**Minister**") denied the Appellant's claim under Part IX of the Excise Tax Act, RSC, 1985, c E-15, as amended (the "**ETA**"), to an aggregate of $116,298.52 of input tax credits ("**ITCs**") for the following reporting periods (the "**First Reporting Periods**"):

Reporting Period	Denied ITCs	Denied Under Section
2014-07-01 to 2014-07-31	$16,632.15	169(1)

[2] I will refer to paragraphs of the ASF as "ASF #".

2014-08-01 to 2014-08-31	$9,198.02	169(1)
2014-09-01 to 2014-09-30	$13,407.47	169(1)
2014-10-01 to 2014-10-31	$27,171.36	169(1)
2014-11-01 to 2014-11-30	$1,911.43	169(1)
2014-12-01 to 2014-12-31	$1,047.94	169(1)
2015-03-01 to 2015-03-31	$7,881.88	169(1)
2015-04-01 to 2015-04-30	$2,132.62	169(1)
2015-05-01 to 2015-05-31	$2,406.41	169(1)
2015-06-01 to 2015-06-30	$2,417.48	169(1)
2015-07-01 to 2015-07-31	$1,949.48	169(1)
2015-08-01 to 2015-08-31	$3,785.34	169(1)
2015-09-01 to 2015-09-30	$10,533.29	169(1)
2015-10-01 to 2015-10-31	$1,019.23	169(1)
2016-04-01 to 2016-04-30	$8,114.95	169(1)
2016-05-01 to 2016-05-31	$3,255.20	169(1)
2016-06-01 to 2016-06-30	$3,434.27	169(1)
TOTAL	**$116,298.52**	

2. The Appellant filed a notice of objection in respect of the First Reassessment in a timely manner on or about March 31, 2017 (the "**First Objection**").

3. By Notice of Assessment dated July 10, 2017 (the "**Second Reassessment**"), the Minister denied the Appellant's claim under the ETA to an aggregate of $306,131.35 of ITCs for its 2016-12-01 to 2016-12-31 reporting period (the "**December 2016 Reporting Period**").

4. The Appellant filed a notice of objection in respect of the Second Reassessment in a timely manner on or about August 30, 2017 (the "**Second Objection**").

5. The Minister issued a Notice of Confirmation to the First Objection and the Second Objection (together, the "**Objections**") on September 12, 2022, confirming its view that the First Reassessment and the Second Reassessment (together, the "**Reassessments**") were correct.

Statement of Facts

6. The Appellant, the Alberta Peloton Association ("**Peloton**"), is a corporation that was formed under the *Societies Act (Alberta)* on January 18, 2012.

7. At all times relevant to this appeal, Peloton was registered for GST/HST purposes under subdivision d of Division V of the ETA with registration number 81393 9287 RT0001.

8. The Appellant was created for the purpose of encouraging and promoting amateur games and exercises and to develop and organize a year long community festival and cycle race in rural Alberta.

9. The Appellant is a non-profit organization that operated the Tour of Alberta Road Race, which is an annual bicycle stage race across the Province of Alberta (the "**Race**").

10. Peloton sold services in respect of the Race to sponsors (the "**Sponsorship Contracts**").

11. Sponsorship Contracts entitled sponsors to privileges with respect to the Race including branding and marketing rights, print exposure, signage, media and promotional exposure, social media exposure, and hospitality hosting services.

12. Peloton is entitled to claim the ITCs that are directly related to its provision of goods and services under the Sponsorship Agreements.

13. Peloton did not make any supply of rights of entry or access to view the Race ("**Admissions**") to persons who may have watched the Race on public roads ("**Public Spectators**").

14. Peloton did not, and could not, charge Public Spectators for viewing the Race.

15. In general, Peloton would pay "elite" caliber racing teams a fee plus the team's expenses in exchange for competing in the Race.

16. In general, "low-tier" caliber racing teams (and/or their sponsors) would pay Peloton an amount of money for certain goods and services which would include an invitation to the team to compete in the Race.

17. The rights to participate in the Race made by Peloton to the "low-tier" caliber racing teams were part of the Sponsorship Contracts, and were not for no consideration.

18. In each year of the Race, the following number of teams participated in the Race:

Year	Total # of "Low-Tier" Teams	Total # of Teams	% of "Low-Tier" Teams
2013	7	15	46%
2014	8	15	53%
2015	8	15	46%
2016	9	13	69%
2017	10	12	92%
TOTAL	**42**	**72**	**58%**

19. The Race took place on public roads.

20. The assumptions in paragraphs 12(m)(iii)[3] and 12(n)(iii)[4] of the Reply are in reference to the Public Spectators who watched the Race (i.e. the Appellant did not charge the Public Spectators a fee to watch the Race).

21. The ITCs claimed by Peloton were for tax paid on inputs (1) to supplies that were within the scope of supplies made under the Sponsorship Agreements, (2) acquired to produce the Race, or (3) both.

22. The ITCs claimed by Peloton in the December 2016 Reporting Period are distinct from the ITCs claimed by Peloton in the First Reporting Periods.

[3] Paragraph 12(m) of the Reply reads as follows: (m) with respect to the First Reporting Periods, the Appellant claimed ITCs for tax paid on inputs to supplies: i. that were apart from or outside the scope of the Sponsorship Agreements; ii. that were not for consumption, use or supply in the course of commercial activities of the Appellant; and iii. that were made for no consideration.

[4] Paragraph 12(n) of the Reply reads as follows: with respect to the December 2016 Reporting Period, the Appellant claimed ITCs: i. that were previously claimed and disallowed as ITCs under the First Reporting Periods; ii. for inputs that were not for consumption, use or supply in the course of commercial activities of the Appellant; and iii. for inputs to supplies that were made for no consideration.

[8] Paragraph 8 above (ASF 8) is key to the Respondent's case. ASF 13 and 14 were also relied on by the Respondent.

[9] No witnesses were called. No joint document book was filed. At the hearing, the Respondent provided copies of four Sponsorship Contracts on consent, all accepted as authentic and for the truth of their contents. There were more agreements in place during the relevant reporting periods. In the lack of proof or argument to the contrary, these four agreements were taken as fairly representing the Appellant's contractual relationships with sponsors.

[10] The four Sponsorship Contracts were in substance the same. Modest differences in benefits may be attributed to the level of financial contribution. The Sponsorship Contracts promised signage throughout the course(s) to recognize the sponsor, integration of the sponsors' logos into the event guides and media guides, presence on the Race website and social media, presence in public relations and radio promotions associated with the Race, and, of course, an invitation to participate in the Race.

[11] "Elite" teams were paid to participate to strengthen the Race and raise its profile, and "low tier" teams and other sponsors supported the Race since it gave a setting to promote their respective brands. That setting relied on the presence of Public Spectators.[5]

[12] Finally, no argument was made and no facts presented to support the conclusion that any goods or services acquired by the Appellant were used or diverted for reasons unrelated to the Sponsorship Contracts and the Race.

IV. Analysis

1. Foundational Elements

[13] The ETA employs a detailed definitional scheme. The word "supply" in s. 123(1) captures practically any method of providing property or services. A supply is a taxable supply if it is made in the course of a "commercial activity." Commercial

[5] If you do not pay for a product, *you* might be the product. Ergo, if the Race was a vehicle for promotion, and if the Public Spectators were not paying customers, they or their attention was a deliverable.

activity, in turn, includes carrying on business, but only to the extent that it does not involve making exempt supplies.[6]

[14] Section 169(1) sets out the general rule for ITCs. A registrant may claim ITCs for GST paid on property or services to the extent that those inputs were consumed, used or supplied in the course of their commercial activities.[7] Allocation is required where inputs are partially used in making exempt supplies and partially in making taxable supplies.

[15] Under the broad definition of "business," a non-profit may be carrying on a business regardless of any lack of a profit motive.[8]

2. Were Race-specific inputs deemed to have been acquired for consumption or use otherwise than in the course of commercial activities?

[16] Section 141.01(2)(b) reads as follows:

> Where a person acquires or imports property or a service or brings it into a participating province for consumption or use in the course of an endeavour[9] of the person, the person shall, for the purposes of this Part, be deemed to have acquired or imported the property or service or brought it into the province, as the case may be,
>
> …
>
> (b) for consumption or use otherwise than in the course of commercial activities of the person, to the extent that the property or service is acquired, imported or brought into the province by the person

[6] The statutory definition of commercial activity is wider than stated here (including adventures or concerns in the nature of trade and supplies of real property), but these further elements of the definition are not relevant in this appeal.
[7] Again, the definition is broader than stated in these reasons for judgment, and my summary of the general rule concerns the portion that is relevant to this appeal.
[8] *Sydney Mines Firemen's Club v The Queen*, 2011 TCC 403, at paragraphs 23-27.
[9] The definition of "endeavour" for the purposes of the provision includes a business.

> (i) for the purpose of making supplies in the course of that endeavour that are not taxable supplies made for consideration, or
>
> (ii) for a purpose other than the making of supplies in the course of that endeavour.

[17] Section 141.01 applies to registrants that acquire inputs both to make taxable supplies and for other purposes, to allocate input costs accordingly to appropriately limit entitlement to ITCs. The provision "reinforces and clarifies that businesses must look to the purpose of acquiring a particular input for consumption or use and how it relates to the business's activities in determining their eligibility to claim an ITC."[10] In *University of Calgary*,[11] this Court confirmed that s. 141.01(2) considers whether inputs acquired in the course of an endeavour were acquired for use in commercial activities, based on the registrant's purpose at the acquisition time.

[18] Relying on ASF 8, the Respondent characterized the Appellant's *raisons d'être* as encouraging and promoting amateur games and exercises and organizing a community festival and cycle race. Because no admissions were charged and the Race was a public event, consistent with the Appellant's mission statement, the Respondent argued that the Race constituted an exempt supply, and thus related ITCs should be denied.

[19] The Appellant argued that the Race and Sponsorship Contracts were interdependent, and the Race formed an inextricable part of the taxable supplies made to sponsors for consideration.

[20] Cases are decided on their facts. In this case, the resolution turns on the limitations of relying on ASF 8, versus the factual relationship between the Sponsorship Contracts and the Race.

[21] The Appellant's mission statement summarized at ASF 8 sets out broadly framed objectives. An organizational mission is essentially a set of stable and continuing institutional goals. It is not unusual and, in fact, rather likely that a non-profit would hold community benefits as overall goals.

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[10] Canadian Bar Association Commodity Tax Section Roundtable, Question/Answer 42, dated February 25, 1999.

[11] *University of Calgary v R*, 2015 TCC 321 ("***University of Calgary***").

[22] No constating documents or other evidence elucidating the Appellant's mission statement were in evidence. The language of ASF 8 states that the Appellant sought to encourage and promote amateur games and exercises, and to organize a community festival (which was not addressed at the hearing) and a cycling race. It did, in fact, develop and stage the Race. Were the various objectives set out in ASF 8 intertwined, as a matter of fact? Perhaps, but it was challenging to come to a factual conclusion without more evidence. For example, it is unclear how organizing a staged cycle race including elite competitors would encourage or promote amateur games. Competitive cycling, running or for that matter driving tend to be described as sports or racing, not games. Can games be played on bicycles? Probably. Are Tour de France riders playing games? No. I have similar concerns about the goal of encouraging and promoting "exercises" and how that may connect with watching a staged cycle race.

[23] The Respondent's reliance on the Appellant's purpose of developing and organizing the Race, set out in ASF 8, is unworkable. Apropos ASF 8, in the circumstances the "why" of the Appellant as a non-profit organization is less important than the "how" of its commercial operations. A generalized mission statement of a non-profit (the "why") is distinct from specific purposes and actions in a day-to-day operational or transactional setting (the "how"). In the absence of any argument that a specific provision of the ETA applicable to non-profits governs the analysis, it is self-evident that a transactional tax should be assessed in reference to the commercial relationships created, rather than through reference to the organization's overarching purpose.

[24] As a matter of commercial reality and common sense, the Sponsorship Contracts and the Race were interdependent. The sponsors' entitlements extended beyond participation rights to include branding and promotional opportunities, all of which were intrinsically tied to staging the Race. The presence of Public Spectators was essential to the sponsors' objectives, since from their perspectives the Race was a promotional opportunity. In that sense, the Public Spectators were less recipients of a supply themselves, and more analogous to "deliverables".

[25] The Appellant could not meet its contractual obligations without the Race. Participation rights and branding and promotion are meaningless in the abstract. But for the sponsors there would be no Race. But for the Race, there would be no sponsors. But for the attention of Public Spectators, there would be no brand building promotional opportunities. The Sponsorship Contracts and the Race formed a commercial arrangement. As a matter of commercial reality they cannot be disaggregated for GST purposes. Consequently, the Race was part of the taxable

supplies to the sponsors for which they paid consideration. Therefore, s. 141.01(2) does not apply to limit the Appellant's claimed ITCs.

[26] The conclusion that the Race was part of the taxable supplies made to the sponsors is dispositive. However, the parties discussed further arguments that can be briefly examined, if only in *obiter*.

[27] It is debatable whether the Public Spectators received a supply. While the sponsors acquired rights pursuant to written agreements, the Public Spectators did not acquire any right – they had no rights of access or exclusive privileges to view the Race. From their perspective, the Race was free-of-charge and accessible for viewing without limitation. Thus, the Public Spectators did not receive any property. Service is defined broadly in the ETA, and means anything other than property, money or anything supplied to an employer by an employee in connection with office or employment. Watching the Race was neither property, money nor (in this case) associated with office or employment. Is viewing the passing blur of a field of cyclists a service? Counsel for the Appellant was dubious about this, and I share his skepticism.

[28] Assuming (without concluding) that the Public Spectators received the supply of a service by being able to view the Race, the question that was raised was whether consideration was paid for that service. The law is well established that the recipient of a supply need not be the payer, as long as consideration was paid.[12] In this case, if the Public Spectators received a service, it was paid for by the sponsors. What is the basis for that conclusion? The Appellant had to be funded. It was funded. On the evidentiary record before the Court, the only source of funding was sponsorship funds.[13] Thus, even if the analysis in this case turned on the question of whether there was a supply to the Public Spectators for nil consideration, that argument fails: there was consideration paid.

V. Conclusion

[12] *Canadian Legal Information Institute v The Queen*, 2020 TCC 56.

[13] Paragraph 12(g) in the Reply, a Ministerial assumption, asserted that the Appellant received grants. That factual assertion was not buttressed with any further information or documents, and was not the subject of argument by either side. Maybe the Appellant received 99.9% of its funding from sponsors – who knows? The fact alleged by paragraph 12(g) has therefore been ignored.

[29] The appeal is allowed, and the disputed First Reassessment and Second Reassessment are referred back to the Minister for reassessment on the basis that the Appellant is entitled to the denied ITCs.

[30] As it was wholly successful, the Appellant is entitled to costs. The parties have until March 6, 2026 to reach an agreement on costs. If no agreement is reached, the Appellant may make written submissions on costs on or before March 20, 2026. The Respondent may make a responsive submission on or before April 6, 2026. Written submissions may not exceed five pages.

[31] If the parties do not advise the Court in writing that they have reached an agreement and if no written costs submissions are made, costs will be in accordance with the Tariff.

Signed this 18th day of February 2026.

"J.A. Sorensen"

Sorensen J.

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REASONS FOR JUDGMENT BY:	The Honourable Justice John A. Sorensen
DATE OF JUDGMENT:	February 18, 2026

APPEARANCES:

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