

Not-for-profit and Charity Filing Obligations with CRA

Depending on the structure of your not-for-profit (“NFP”) organization, your filing obligations with the Canada Revenue Agency (CRA) will differ. Below is a summary of the most common scenarios. You should consult with your professional advisor to ensure that you meet all of your filing obligations in a timely manner.

Charities

All registered charities must file a T3010 Registered Charity Information Return with CRA by end of the sixth month after their fiscal year end. Failure to file this return can result in the revocation of charitable status by CRA. However, CRA will generally issue a warning letter to the Charity to remind them that their return is overdue and the consequences of non-compliance, before revocation occurs. The return includes information with respect to the Charity’s operations, finances and governance.

Other NFP Organizations

If a not-for-profit is not a registered charity it may still have filing requirements with CRA. If the organization is incorporated, it must file a T2 Corporation Income Tax Return within six months of its fiscal year end, even though no tax should be payable. On the return, the organization must indicate under which section of the Income Tax Act it falls, to be considered exempt from tax. The most common categories are:

149(1)(e) – an agricultural organization, board of trade or chamber of commerce

149(1)(l) – a NFP club, society or association

149(1)(j) – a NFP scientific research and experimental corporation

In addition, both incorporated, and unincorporated NFP organizations who are exempt from tax under sections 149(1)(e) and 149(1)(l) as described above may have to file a T1044 Non-Profit Organization Information Return. This return is also due within six months of the fiscal year end. An organization has to file this return if it meets any of the following three tests:

1. It received or it is entitled to receive taxable dividends, interests, rental income or royalties totalling more than \$10,000 in the fiscal period;
2. It owned assets valued at more than \$200,000 at the end of the immediately preceding fiscal period;
3. It had to file an NPO Information Return in the previous fiscal period. As a consequence of this third test, once a NPO files a T1044 it will be required to do so for every fiscal period thereafter.

Deemed Trusts

Any NFP organization whose main purpose is the provision of dining, recreational, or sports facilities for its members is taxable, as an inter vivos trust, on its property income. Organizations such as golf clubs and other recreational or sports organizations which maintain investments on which income is earned should be aware of this filing requirement as it is often missed. Within three months of the organization's fiscal year end, a subject organization must file a T3 Trust Income Tax and Information Return to report the investment income. There is a basic exemption of \$2,000 which means tax is only payable on amounts over that threshold; however the form must be filed if it applies.

HST/GST

Not-for-profit organizations are not automatically exempt from charging GST/HST on their revenue. Some types of revenue, such as donations and some sponsorships, among others, are exempt from GST/HST however most types of revenue do attract HST/GST. As well, small suppliers such as registered charities with less than \$50,000 in annual taxable supplies, or other NFP organizations with less than \$30,000 of annual taxable supplies are not required to collect HST. You should consult your professional advisor with respect to your organization's status and sources of revenue to ensure you are in compliance.

In addition, registered charities and some NFP organizations receiving government funding may be eligible for a rebate of a portion of the GST/HST it pays on its expenses, even if it is not collecting GST/HST.

Summary

There are numerous filings to consider for your NFP organization. It is important to review the structure and operations of your organization to ensure you are in compliance with the Canada Revenue Agency's requirements. Even if no tax is payable to CRA on any of the above filings, the late filing or failure to file of any of these returns can be subject to penalty and interest. If you discover your organization is non-compliant in any area, you may be eligible for penalty and interest relief under CRA's Voluntary Disclosure Program. Consider meeting with your professional advisor to review your situation and determine what action, if any, is necessary. Your advisor can assist you in getting filings up to date, and in setting up a system to ensure future filings are made in a timely manner.

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