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# Taxation of Charities

Audit. Tax. Consulting. Financial Advisory.



This booklet is intended for members of the Board of Directors, trustees and officers of charities or non-profit organizations who require a concise source of information on major issues concerning taxation in this sector; as well, it gives an idea of how government treats activities related to these organizations. This information will be particularly useful to those whose organization is registered, or is contemplating becoming registered, as a charity.

If you are a member of the Board of Directors of a charitable organization, you are accountable not only to the community served by your organization but also to the organization itself. In particular, the onus is on the Board to ensure that the charity is managed in accordance with the applicable laws and regulations, specifically in matters concerning income tax and indirect tax.

A booklet such as this can only provide general information, and is no substitute for the advice of a qualified professional. Consult your specialist in the field before making any decision. Please note that the text reflects the tax laws and proposed legislation as of August 1, 2006.

Our firm has offices throughout Canada. Our specialists will be happy to answer your questions on managing your non-profit organization or your charity.

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# Defining the differences

## Non-profit organization or charity?

The difference between charities and non-profit organizations is not always clear. While a non-profit organization need not be registered to be exempt from income taxes, a charity must be. Under the tax laws, an organization carrying on only charitable activities does not qualify as a non-profit organization. Because an organization carrying on charitable activities may not claim an exemption as a non-profit organization, it must be registered in order to be exempt from tax. Most important from the donor's perspective, only registered charities can issue receipts for donations.

Although registration is not required for a non-profit organization, the *Income Tax Act* contains basic requirements for an organization to be recognized as non-profit. These include:

- The organization must be operated exclusively for social welfare, civic improvement, pleasure or recreation, or for any other purpose except profit.
- No part of the income of the organization may be payable to or otherwise made available for the personal benefit of any member, proprietor or shareholder.
- The organization can pay any member, proprietor, or shareholder in return for services rendered, provided the amounts are comparable to what would have been paid to persons dealing at arm's length with the organization for the same services.

The position of the Canada Revenue Agency (hereafter CRA) is that a non-profit organization may carry on an activity other than the one for which it was created, but its principal activity cannot be to carry on a trade or business for profit. The courts, however, look to the overall focus of the organization's work.

A non-profit organization can realize a profit from an activity without jeopardizing its status. However, if a major portion of its profit is accumulated each year and the total accumulation at any time is greater than the organization's reasonable needs to carry on its non-profit activities, the CRA considers profit to be one of the purposes of the organization and will disallow any tax exemption. The CRA also considers the accumulated profits to be excessive if they are used for purposes unrelated to the objectives of the organization, such as for long-term investments and the improvement of facilities used for normal commercial activities.

## Charities

Any charity is classified in one of the following three categories: charitable organization, public foundation or private foundation. Its status may be changed only with the consent or at the discretion of the CRA. Charities can appeal the decision of the CRA within 30 days after receipt of the Minister's decision (90 days for Quebec tax purposes).

A charitable organization can be created under many legal forms, including associations, trusts, and corporations. Most charities are non-profit corporations formed under Part II of the *Canada Corporations Act* or under provincial legislation. For the charity to maintain the status of a charitable organization or foundation, no income may be payable or otherwise made available for the personal benefit of any

proprietor, member, shareholder, trustee or settlor of the charity. A religious community's support of its members is not regarded as income paid to the members, but rather as a charitable activity in itself.

A charitable organization must devote all its resources to charitable activities carried on by the organization itself. A charitable foundation must be constituted and operated exclusively for charitable purposes, including the payment of funds to qualified donees. Generally speaking, a foundation acts as an intermediary between donors and other registered charities, while a charitable organization generally disburses the funds it receives while carrying on its own charitable activities.

Each specific category of charity has its own rules as dictated by the *Income Tax Act*. They include:

### **Charitable organizations**

- More than 50% of the directors, trustees, officers, or officials of a charitable organization must deal at arm's length with each other and with each of the other directors, trustees, officers or officials. If more than 50% of the capital comes from a single person or persons not dealing with each other at arm's length, this person or these persons must not be able, either directly or indirectly, to control the charitable organization, nor may they have a non-arm's length relationship with 50% or more of the directors of the charity. This last condition must apply since the year 2000, but the draft legislation in this regard, released in December 2002, has not yet been adopted.
  - A charitable organization must also devote all of its resources to its own charitable activities. A charitable organization is considered to be within this restriction if, in a given taxation year, it disburses not more than 50% of its income for that year to qualified donees.
- The last point above illustrates the importance of determining what is included in a charitable organization's income. This income is computed in accordance with generally accepted accounting principles and the income tax provisions applying to taxpayers in general. There are certain rules, however, that apply specifically to charitable organizations.
- The general rule is that gifts to a charitable organization are included in the computation of income of the charitable organization, including gifts received from another charity. The following gifts are, however, specifically excluded:
- Gifts from the capital of an estate.
  - Gifts which carry the requirement that the charity must hold the gift for at least ten years.
  - Gifts from donors that are not charities and for which the donors did not benefit from an income tax credit or deduction, or where the donors are not taxable in Canada for the year in which the gift was made.
  - Gifts from other charities which were not financed by the income of the other charity.
  - "Specified gifts", which are gifts made by another registered charity with the agreement that the gift will not be considered a qualifying charitable donation. Specified gifts cannot be included in determining if disbursement requirements are met for

the donor (see *Administrative requirements, The disbursement quota*). The donor organization and the donee organization must indicate the amount of any specified gift in the year the gift is made in their annual return, but the donee organization must exclude the amount of the gift in the calculation of its disbursement quota of the following year and of all subsequent years. "Specified gifts" must not be confused with gifts reserved for a "specified purpose", for example to provide scholarships or to perform medical research.

Amounts paid to a religious order by a member who has taken a vow of perpetual poverty are not included in the income of the organization registered for tax purposes if no receipt is issued and the donation was paid from the member's remuneration or pension benefits.

### Public foundations

A foundation is formed either by way of a trust or a corporation. Trusts can be formed either as a living trust (*inter vivos*) or through a will (testamentary).

For all public foundations registered after 1999, or those wishing to be designated as a public foundation after that date:

- More than 50% of the directors, trustees, officers or like officials of the foundation must deal at arm's length with each other and with the other directors, trustees, officers or like officials.
- If more than 50% of the capital contributed to the foundation is contributed by one person or by persons not dealing at arm's length, this person or these persons must not be able, either directly or indirectly, to control the charitable foundation

nor have an arm's length relationship with 50% or more of the directors of the organization. This last condition must apply as of 2000, but the draft legislation has not yet been adopted.

The rule related to the control of the charity does not apply if more than 50% of capital contribution comes from Her Majesty in Right of Canada or from a province, a municipality, another registered charity that is not a private foundation, or any tax-exempt non-profit organization.

A new organization can therefore obtain charitable organization or public foundation status even if its capital is derived solely from another charitable organization or public foundation, provided that the 50% non-arm's length requirement for directors and all other officers is satisfied.

### Private foundations

A private foundation is a foundation that does not meet the requirements of a public foundation. Many of the same tax rules apply to both private and public foundations. However, when certain investments made by a private foundation do not yield at least the rate of return required by law, these investments are not considered to be qualified. Such non-qualified investments are mainly loans to persons related to the private foundation and preferred shares held by the private foundation in private corporations related to the foundation. The issuer of the shares or the borrower of the funds may be subject to a special tax on these shares and debts held by the private foundation. The special tax is calculated based on a minimum prescribed rate of return and the effective rate of return on the shares or debt.

# Registration

## Are you eligible?

To be eligible for registration, a charity must be established exclusively for charitable purposes, as broadly defined. The objectives of the charity cannot be so broad, however, that non-charitable activities are permitted. The courts have classified charitable objectives into four general categories:

- The relief of poverty.
- The advancement of religion.
- The advancement of education.
- Other purposes beneficial to the community, such as providing social or cultural facilities and public recreation services.

The advancement of religion includes:

- promoting the spiritual teachings of a religious body and maintaining the religious body's doctrines and spiritual observances;
- the presence of theistic worship;
- organizing and providing religious instruction and performing pastoral and missionary work;
- establishing and maintaining buildings for worship and other religious use.

Fostering a belief in proper morals or ethics is not sufficient.

The advancement of education requires, according to the CRA, training or instruction. The simple fact of providing information is not considered as such. Also, the act of inciting the public to adopt an opinion or specific behaviour with regards to a controversial matter does not constitute the advancement of education.

## How do you register?

To register, prescribed forms must be completed and sent to the CRA's Charities Directorate (Form T2050) and Revenu Québec (Form TP-985.5-V) for applicants operating in Quebec. Certain documents must also be filed providing complete details of the charity's activities, a copy of the governing documents (charter, trust agreement, or other), the balance sheet, and the statement of receipts and disbursements, or, if the charity is not in operation, the budget for the first year of operations.

If a charity applying for registration is a division of an existing registered charity, as often happens with religious organizations, and operates according to the governing documents of the principal registered charity, the organization need only submit a letter confirming the affiliation and affiliation date, signed by an executive officer of the principal charity, and a dated copy of a resolution, signed by at least two directing officers of the applicant organization, indicating that its members have agreed to abide by the governing document of the principal charity.

Organizations wishing to be registered for Quebec income tax purposes must send Revenu Québec, within thirty days of confirmation of registration by the federal authorities, a copy of the documents filed with the CRA for purposes of registration, and a copy of the CRA's response. Once the organization obtains registration from the federal authorities, registration for Quebec income tax purposes is virtually automatic. The effective date is the same as for its federal status.

A notification of registration (Form T2051) will be issued and will show the name of the charity, its designation as a charitable organization or foundation (public or private), the effective date of the registration (which may correspond to the date the registration application was filed) and the registration number (the business number) which must

appear on all donation receipts issued by the charity. If the Minister refuses to register a charity that has made an application, the charity may serve the Minister a written notice of appeal within 90 days after the date of mailing of the letter containing the decision to deny the registration. If the Minister maintains his or her decision, the charity may appeal the decision to the Federal Court of Appeal within 30 days from receipt of the Minister's decision. For Quebec tax purposes, the charity may appeal to the Court of Quebec within 90 days from the decision of the Minister.

## Restrictions

### Political activities

One of the major restrictions for registered charities concerns political activities. A charity is considered to be constituted exclusively for charitable purposes even if it carries on certain political activities, but these political activities must be considered ancillary and incidental to its charitable activities. An organization set up to lobby for changes in legislation or other political purposes will not be eligible for registration as a charity. Furthermore, a charity cannot finance or put resources at the disposal of an unregistered organization which carries out activities in which charities are not permitted to engage.

Political activities are divided into three categories:

- **Charitable activities.** There may be a political element to the activities of the charity, but the organization's actions must be fundamentally charitable in nature. The CRA considers the "reasonableness" and the "circumstances" of the activities. For example, the submission of verbal or written statements to the appropriate elected representative or civil servant to present the position of the organization is a charitable activity. The dissemination of these statements to the media or on the organization's Web site is also charitable if this dissemination does not involve a call for political action.
- **Prohibited activities.** Registered charities may not, directly or indirectly, oppose or endorse a named candidate, a party or a politician.
- **Limited activities.** These types of activities connected and subordinate to the charity's charitable purposes fall somewhere between the above two groups. Examples include producing and distributing publications, presentations at conferences, or other forms of communication aimed at influencing public opinion on a topic of general interest. Their classification relates to the level of the activity in question. The law requires that an organization use all of its resources for charitable purposes. The CRA generally considers "all" to mean at least 90%. Therefore, political activities that are not fundamentally charitable should not exceed 10% of the resources of an organization. "Resources" include all financial and material assets as well as services provided by the human resources of an organization. Administratively, the CRA agrees that a charity may devote 12%, 15% or 20% of its resources to political activities in a given year if, in the previous year, its revenue totalled between \$100,000 and \$200,000, between \$50,000 and \$100,000 or was under \$50,000, respectively. In certain circumstances, an organization could also exceed the authorized percentage in a given year if this percentage is generally respected over a three-year period. The other restriction on this type of activity is a requirement for charities to meet an annual disbursement quota for charitable purposes (see *Administrative requirements, The disbursement quota*). Other revenue that is not included in the annual disbursement quota can be used for limited political activities as long as the abovementioned 10% rule is met.

### Activities outside Canada

Canadian charities can carry on activities outside Canada. They may hire one or more foreign employees to work outside Canada for charitable purposes, or use agents in these countries to act in their name. Where agents are used, a contract between the charity and the agent is strongly recommended.

Canadian charities have also been able to conduct their foreign activities under performance, joint-venture or partnership contracts to the extent that there are controls over the use of the resources assigned to such activities. To be acceptable, these arrangements must require specifically that charitable activities be carried out under the terms of a contract or agreement. Acceptable joint venture agreements include those with participation from the Canadian International Development Agency (CIDA).

Charities can also expend amounts as part of development projects for the acquisition of real property outside Canada, specifically for projects such as schools and hospitals. The charity must ensure that if it does not remain the owner, the property will be used exclusively for charitable purposes.

Organizations must keep the following in Canada: records, copies of contracts or agreements with agents and other documents that can justify charitable expenditures made abroad.

Certain foreign charities are qualified donees according to the CRA. The United Nations, foreign universities whose student body ordinarily includes students from Canada, and foreign charitable organizations which received a donation from the Canadian government during the year or in the preceding year, all qualify.

Expenses incurred by a religious community to provide for the needs of its members working abroad are qualifying activities outside Canada, provided that accountability requirements are satisfied.

While a cash loan to a foreign organization may be an acceptable activity for a Canadian charity, it cannot be used to step around the Canadian rules for foreign charitable activities. An interest rate comparable to interest rates used in the market lends credibility to the transaction.

### Related business activities

To be eligible for registration, a charitable organization must use all its resources for charitable activities carried on by it, whereas a foundation must be constituted and operated exclusively for charitable purposes.

Moreover, tax legislation provides that a charitable organization is considered to be using its resources for charitable activities carried on by it when it carries on related business activities. In the same way, a public foundation can carry on related business activities, whereas a private foundation cannot carry on any business activity. It is therefore important to define a related business activity.

A related business activity is defined in the law as a business related to the objectives of the charity, or a business that is unrelated to the objectives of the charitable organization or the public foundation if substantially all the people employed by the charity in the carrying on of that business are not remunerated. For example, the organization of a bingo event or the selling of Christmas cards by volunteers may be considered as related business activities.

Although this definition was broadened by the courts to include any business that does not use volunteers if the income is used exclusively for charitable purposes, the CRA prefers a stricter definition and takes this jurisprudence into account only on a case-by-case basis. The CRA will consider the fact that the activity has been carried on for some time and is accepted by the community as relevant. The CRA also distinguishes between business activities that

are generally pursued in a regular and continuous manner and financing activities that are only occasional. Financing activities do not give rise to “the execution” of a business activity. Passive income from non-portfolio investments are generally not considered business activities unless it is earned by a partner or a sponsor of a partnership.

The CRA has also defined four eligible categories of business activities that are linked to the organization’s charitable purposes:

- Activities that constitute a usual and necessary concomitant of charitable programs (a hospital’s parking lot, a museum’s gift shop).
- The sale of merchandise from a charitable program (the sale of recordings produced by a church choir).
- The rental of property belonging to the organization for charitable purposes during periods in which it is not used by the organization to its full capacity (facilities rented by the university during the summer months).
- The sale of items that promote the organization and its objectives (T-shirts, posters).

Finally, the CRA recognizes that an organization may carry on business activities subordinate to its charitable purposes. Activities are subordinate to a charity’s purpose if they require only a minor fraction of the charity’s resources, if they cannot be considered independent of charitable activities, and if the charitable purposes continue to dominate the charity’s decision-making process.

## Revocation of registration

A charity can request that the Minister of Revenue revoke its registration; equally, the *Income Tax Act* lists grounds that can lead to revocation.

However, if a charity is in default, the revocation is not automatic. The Minister may even decide not to proceed with revocation despite the existence of a legal reason to revoke. If revocation is chosen, the Minister must give the charity notice of the revocation by registered mail. This organization may serve the Minister with a notice of objection, in writing, within 90 days after the day on which the notice of annulment was mailed. If the Minister maintains the decision to revoke, the organization may file an appeal with the Federal Court of Appeal within 30 days (in Quebec, within 90 days, with the Quebec Court of Appeal) following the date of mailing of the Minister’s notice. The revocation of registration is confirmed by publication of a notice from the Minister in the *Canada Gazette* after the appeal period has expired.

### Reasons

The main reasons for revoking registration include:

1. Failure to conform to the minimum disbursement quota.
2. The carrying on of a business by the charitable organization or public foundation which does not qualify as a related business. A private foundation may not carry on any business.
3. The acquisition of control of a corporation by a foundation after June 1, 1950. A foundation is not deemed to have acquired control if it has not purchased more than 5% of the issued shares of the corporation. For example, a foundation may own 90% of the shares of a corporation and not be deemed to have acquired control if, of this 90%, it acquired only 5% for consideration.

4. A foundation's incurring debts after June 1, 1950. This rule does not include debts incurred for current operating expenses, on the purchase and sale of investments (brokerage fees and borrowings), or in the course of administering charitable activities.
5. Failure to file the required information returns in the prescribed form and time period. Deregistration would constitute the final redress for this infraction because the monetary penalties are in effect for information returns in respect of the taxation years beginning after March 22, 2004 (see *Administrative requirements, Penalties and sanctions*).
6. The issuance of a receipt containing false information or otherwise not meeting the requirements as set out in *Receipts for donations* (see *Administrative requirements, Penalties and sanctions*).
7. Failure to keep adequate books and records.
8. A gift made, when it is reasonable to consider that one of the main reasons for the gift was to unduly postpone the obligation to expend amounts on charitable activities. The registration of the donee may also be revoked if it may reasonably be considered that the donee acted jointly with the donor.
9. The act of making a donation to a donee that is not a qualified donee, for example a non-profit organization or most foreign charities.

### Consequences

A charity whose registration is revoked must, within one year after the date of the Minister's Notice of Intention to revoke its registration, pay a special tax which is the sum of:

- the fair market value of all the charity's assets held at the date of the Notice of Intention;
- the revenue (net of expenses) of the charity after that date, including the donations received from all other sources;
- the fair market value of all the assets transferred to another person during the 120 days before the date of the Notice of Intention, less the consideration given by that person.

minus the sum of:

- the value of the charity's debts at the date of the Notice of Intention;
- the charity's expenses used for charitable activities after that date;
- the fair market value of all the assets transferred to qualified donees, generally within one year after the date of the Notice of Intention, less the consideration given by these donees.

The last item above ensures that an organization can replace the payment of tax by a donation to another registered charity with which it deals at arm's length and which meets certain other conditions.

# Receipts for donations

Every official tax receipt issued by a registered charity must contain a statement that it is an official receipt for income tax purposes. It must also clearly show, in a way that cannot be easily altered, the following information:

- The name and address in Canada of the charity as recorded with the CRA.
- The charity's registration number (its business number).
- The serial number of the receipt.
- The place where the receipt was issued.
- For cash donations, the day on which or year during which the donation was received.
- For gifts other than cash, the day on which the donation was received, a brief description of the property, and the name and address of the appraiser of the property if an appraisal was made.
- The day on which the receipt was issued, if different from the day on which the donation was received.
- The last name, first name, and address of the donor.
- The amount of the cash donation or, where the donation is a gift of property, the fair market value of the property at the time the gift was made.
- The value of the advantage received by the donor, if applicable.
- The eligible amount of the donation.
- The signature of the individual authorized by the charity to acknowledge donations.
- The name and address of the CRA Web site.

Official receipts can bear a facsimile signature where all official receipt forms of a registered charity: distinctly show the name, address and registration (business) number of the charity; are serially numbered by a printing press or numbering machine; and are kept at the charity's official address until they are used.

An official receipt issued to replace a receipt previously issued must show this fact clearly and show the serial number of the replaced receipt. Any official receipt form on which the amount, day or year of the donation is incorrectly or illegibly entered must be regarded as spoiled. This form and its duplicate must be marked "cancelled" and retained by the registered charity as part of its records.

For donations between registered charities, a different form than the official receipt is to be used, which should not include the registration number.

One copy of the receipt issued to the donor should state that it is issued for federal income tax purposes. In Quebec, the other copy should state that it is issued for provincial income tax purposes.

For non-cash gifts, an external appraisal is not mandatory, but it is recommended if the value exceeds \$1,000. One must also remember that a receipt containing erroneous information, including an invalid value of the gift, could result in a penalty (see *Administrative requirements, Penalties and sanctions*).

In general, the organization must keep a copy of receipts issued for two years after the end of the calendar year to which the receipts apply. This requirement also holds true for most documents, records and vouchers used in the organization's accounting processes.

However, for donations that the organization must keep for at least 10 years as required by the donor, the organization must keep a copy of the receipt until the end of the period ending two years after the date of annulment of its registration as a charity. This requirement also applies to minutes of board of directors' meetings, members' meetings, and the charity's constitution and by-laws.

### Circumstances in which receipts cannot be issued

Tuition fees, even if paid to a school administered by a religious community and qualifying as a registered charity, are not allowed as a donation because education represents a benefit or consideration received by the student or the student's parents. On the other hand, amounts paid to a school where only religion is taught may qualify as charitable donations and a receipt may be issued. Where certain schools provide both academic and religious training, only the portion applicable to the religious training qualifies for a receipt. *Revenu Québec* considers religious instruction to be no different from academic training and does not permit the issuance of receipts under any circumstances.

Nor do the following qualify as donations:

- Gifts of services if the donor requests a receipt rather than payment for his services. A receipt may be issued if the charity pays for the services rendered and part or all of the amount is voluntarily repaid to the charity.
- Gifts of merchandise where cost was treated as a business expense by the donor, for example advertising and promotion expenses. This type of gift is generally qualified as a sponsorship.
- The purchase price of a lottery ticket.

A receipt may be issued for gifts in kind of property included in the donor's inventory. The gift of inventory results in the property's deemed disposition at fair market value, which should be identical to the value indicated on the receipt. This deemed disposition could result in corresponding income for the donor. The charitable donation deduction or credit is offset by income of the same amount from the disposition of the inventory, negating any benefit for the donor. The receipt issued must state that the gift is a gift in kind and provide a brief description.

The donor of a gift of a "non-qualifying security" to a registered charity cannot claim a tax credit or a deduction when calculating taxable income unless the registered charity disposes of the non-qualifying security within 60 months from the time of the gift.

A "non-qualifying security" is an obligation of a person or partnership, a share of the capital stock of a corporation, or any other security issued by any person or partnership with which the donor does not deal at arm's length. Any gift of an obligation, share or other security listed on a prescribed stock exchange or an amount deposited with a financial institution is not considered "non-qualifying." This is also true of a share not listed on a prescribed stock exchange if the donee is not a private foundation and if the donor is at arm's length with the donee and with each of its directors, officers, trustees, or like officials.

In the case of certain gifts qualified as "loanbacks," the deemed fair market value of the gift is reduced. This rule applies when the registered charity holds a donor's non-qualifying security in the 60 months following the time of the gift and the registered charity acquired the nonqualifying security no earlier than 60 months before the gift was made. As a result, the tax value of the gift is the value of the gift reduced by the fair market value of the consideration given by the charity to acquire the non-qualifying security.

# Administrative requirements

## Annual filings

Every registered charity must, within six months after the end of its fiscal year, file an information return in the prescribed form, T3010A (federal) and, for charities also registered in Quebec, Form TP-985.22-V, along with the charity's financial statements.

Once filed, the form and information on any charity is available to the public upon request, although the details concerning the directors (excluding their names) and the donors remain privileged information. The financial statements are public unless the organization meets the requirements for qualifying as a religious organization (see below).

Incorporated registered charities are specifically exempted from filing income tax returns (Form T2 and Form CO-17 in Quebec). Organizations operated as trusts are also exempted from filing income tax returns (Form T3 and Form TP-646-V in Quebec).

Certain religious organizations are exempt from completing the sections of the information return containing financial information that is accessible to the public. Specifically, if an organization:

- was in existence on December 31, 1977;
- has not received a gift at any time after December 31, 1977 for which a tax receipt is issued;
- has not, directly or indirectly, received a gift from another registered charity, including an associated charity, which has issued official receipts since December 31, 1977.

## The disbursement quota

In order to retain their status, charities must make annual disbursements in accordance with the statutory disbursement quota. The quota amounts vary according to the status of the charity.

### Charitable organizations and public foundations

In a taxation year, a charitable organization or public foundation must disburse, through its own charitable activities or by way of gifts to qualified donees, amounts at least equal to the total of the following items:

- 80% of the amounts received during the preceding year and for which receipts were issued, with the exception of gifts of enduring property.
- 80% of the amounts received from other registered charities during the preceding year, with the exception of gifts of enduring property and "specified gifts" (refer to *Defining the differences, Charities*).
- 80% of gifts of enduring property received previously and disbursed during the year.
- 100% of the gifts of enduring property previously received and transferred during the year to another registered charity.
- 3.5% of the prescribed amount of the property held by the charity in the two preceding years, in excess of 100% of the amounts of the four categories of gifts described above.

Enduring property includes:

- gifts from the capital of an estate;
- gifts made on the condition that the recipient charity must hold the gifts for at least ten years;
- direct transfers by a deceased, by way of a beneficiary designation, of life insurance products, registered retirement savings plans, and registered retirement income funds;

- gifts received from other registered charities:
  - that these registered charities received from the capital of an estate or that carry the requirement of being kept for at least ten years, or
  - if the recipient charity is a charitable organization and if more than 50% of the members of the board of directors of the donor charity deal at arm's length with each of the members of the board of directors of the recipient charitable organization and if the gift is subject to a stipulation requiring the charitable organization to pay the full amount in a period not exceeding five years, as part of its charitable activities or to acquire a tangible capital property to be used directly in charitable activities or administration.

In the year in which the recipient charity of enduring property (other than in the form of a specified gift) disburses this enduring property, an additional disbursement quota results. This additional quota can, however, be reduced if the organization realized capital gains during the disposition of enduring property. The rule forces organizations to conduct individual follow-ups of the gifts covered by the rule in order to determine their disbursement quota in the year in which the gifts are expended.

For a charitable organization, the obligation to expend 3.5% of the prescribed amount of its investments applies to the taxation years beginning after:

- March 22, 2004, if it obtained its registration after this date;
- 2008 if it obtained its registration before March 23, 2004.

For purposes of the 3.5% rule (4.5% for a foundation's fiscal years beginning before March 23, 2004), property does not include property used directly in charitable activities or in the administration of the charity. The applicable amount corresponds to the average value of the property held at the end of

each period in the preceding 24 months. The periods (between 2 and 8) must be of equal length and total 24 months. Generally, the value of the relevant property is its fair market value. The 3.5% rule does not apply if the average value is less than or equal to \$25,000.

Qualified disbursements to meet the disbursement quota include amounts disbursed to qualified donees; these include:

- another registered charity;
- a registered Canadian amateur athletic association;
- a housing corporation resident in Canada and exempt from tax;
- a Canadian municipality;
- the United Nations or agencies thereof;
- universities outside Canada with a student body ordinarily consisting of students from Canada;
- charitable organizations outside Canada to which Her Majesty in Right of Canada has made a gift during the organization's taxation year or the 12 months immediately preceding that taxation year;
- Her Majesty in Right of Canada or a province.

In the case of a charitable organization, these amounts must not exceed 50% of its annual revenue. If the charitable organization pays more than 50% of its income to qualified donees, its status could be changed to a charitable foundation.

Amounts paid by a charitable organization to a qualified donee which are not paid out of its income and amounts paid to a registered charity that the Minister has designated as a charity associated with the charitable organization may exceed the 50% limit defined above. Charities wishing to be recognized as associated must apply by filing Form T3011 for the federal government and TP-985.3-V for Quebec.

### Private foundations

The amount to be distributed annually by a private foundation is the same as for a public foundation, except that a private foundation must disburse 100% of gifts, other than enduring property gifts and “specified gifts,” received from other registered charities during the preceding year.

### When are income taxes payable?

If a registered charitable foundation transfers more than 50% of its capital to one or more charitable organizations, it must pay a special tax of 25% if the main purpose of the transfer was to reduce its disbursement quota. If it may reasonably be considered that the beneficiary of the transfer acted in conjunction with the donor, the beneficiary will be jointly and severally liable for the tax. The rate of 25% applies to the net value of the transferred property calculated at the fair market value on the day of the transfer less any consideration for the transfer received by the foundation.

### Flexibility within the disbursement quota

Although the disbursement quota applies separately to each taxation year, there are two exceptions which allow charities more flexibility.

The first exception allows a charity that disbursed more than the required amount in one year to disburse less than the minimum in the five following years. Similarly, a charity that disbursed less than the minimum in a particular year can correct this shortfall by disbursing more than the minimum required in the subsequent year and by applying the excess against the previous year’s disbursement shortfall.

Under the second exception, the Minister of Revenue may use his or her discretion to reduce the amount of actual disbursements to be made by a registered charity for a particular year. Persuasive reasons for the reductions include high start-up expenses or an unsuccessful fundraising campaign. Application Form T2094 is required. The charity will not have to make up the disbursement shortfall during a subsequent year if a reduction is approved by the Minister.

### Gifts with partial consideration

Previously, based on common law jurisprudence, the CRA considered that a gift represented a voluntary transfer of money or property for which the donor could not draw any benefit in return. Since December 2002, the CRA has relied, rather, on civil law and agrees that a gift may give rise to the issuance of a receipt for tax purposes even if the donor draws a partial benefit. The transfer must still be voluntary and the intention to give must be present. According to the CRA, this intention exists if the consideration does not exceed 80% of the market value of the transferred property. If the consideration exceeds 80%, the donor is liable to show his intention to give.

The amount that can give rise to the issuance of a receipt is called an “eligible amount” of a gift. This amount corresponds to the cash equivalent or to the fair market value of the transferred property if no benefit was accrued to the donor, or if this benefit is lower than or equal to the lesser of \$75 or 10% of the fair market value of the given property. If the benefit exceeds this minimum threshold without exceeding 80% of the fair market value of the property transferred, the eligible amount corresponds to the fair market value of the property less the fair market value of the accrued advantage. The eligible amount is generally nil if the value of the advantage exceeds 80% of the fair market value of the property transferred.

The concept of advantage is very broad. It includes the value of property, services, user licences or other benefits granted to the donor or to a person who is related to the donor. The advantage may be given before, at, or after the time of the gift. The advantage may be absolute or conditional upon the occurrence of an event. Finally, the advantage may stem from a person or entity other than the recipient charity of the gift.

Amounts paid for benefit concerts, dinners and other similar events to raise funds only qualify for a receipt to the extent that the amount paid exceeds the fair market value of the right to attend the benefit. The

eligible amount must also be reduced by the value of any benefits provided to all participants attending the event as well as by the value of door prizes distributed based on the number of participants attending the event. However, the CRA considers that the eligible amount does not have to be reduced when the value of the items received by the participants and the value of the door prizes, for each ticket sold, does not exceed the lesser of \$75 and 10% of the ticket price. The charity must be able to justify its calculations of the eligible amount if requested by the CRA to do so.

In the case of an auction, the recipient of the auctioned property is entitled to a receipt for the gift if the fair market value of the property is determined and announced in advance and if this fair market value does not exceed 80% of the bid value. If these conditions are met, the eligible amount corresponds to the amount by which the bid amount exceeds the fair market value of the property.

### Penalties and sanctions

Until recently, the only possible sanction for an organization that did not comply with one of the tax requirements was deregistration and consequently the loss of the ability to issue official donation receipts. Less drastic measures have been introduced for taxation years of charities beginning after March 22, 2004.

Some of the new sanctions are non-monetary:

- Publication, on the CRA Web site, of the names of charities that are late in filing their annual information returns.
- Suspension of the right to issue official donation receipts for one year, in the event of:
  - failure to keep appropriate books and accounting records,
  - a repeat infraction of carrying on an unrelated business,
  - a repeat infraction of undue benefit conferred on a person,

- issuance of receipts containing false information if the associated monetary penalty exceeds \$25,000.

- Loss of status as a qualified donee and, therefore, of the possibility of receiving gifts from other registered charities during the period in which receipts may not be issued.

Monetary penalties are also imposed in certain circumstances:

- \$500 for the late filing of an annual return, resulting in the loss of registration.
- 5% (10% in the case of a repeat infraction) of the eligible amount appearing on a receipt that does not comply with the provisions of the *Income Tax Act*.
- 125% of the eligible amount appearing on a receipt containing false information.
- 5% (100% in the case of a repeat infraction) of gross revenue from unrelated business activities.
- 5% (100% in the case of a repeat infraction) of dividends received by a foundation of a company whose control it acquired other than by donations of stocks.
- 105% (110% in the case of a repeat infraction) of the undue benefit conferred on a person, including a gift to a non-qualified donee.
- 110% of the amount transferred to another charity in order to delay the allocation of amounts to charitable activities.

Sanctions are generally applied when awareness and follow-up initiatives with respect to complying with the *Income Tax Act* have failed; also, the Minister maintains a certain flexibility as to whether to apply new financial penalties as well as the ultimate penalty, i.e. deregistration.

A charity may also, under certain circumstances, offset the payment of a penalty by paying a corresponding amount to other registered charities.

# Planning opportunities

## The accumulation of funds

After paying its administrative costs and satisfying the disbursement quota, a registered charity may experience difficulties with cash flow. A shortage can impede the charity's ability to accumulate sufficient capital to supply the income necessary for it to continue and improve the services the organization provides. The following are three strategies for overcoming this obstacle.

### Accumulate funds from certain types of gifts

Gifts which will allow the charity to accumulate funds include:

- gifts from companies that consider the amounts in question as promotional expenses and do not require receipts to be issued for donations;
- amounts received at events for which the charity does not issue receipts;
- specified gifts that are not subject to disbursement quota rules;
- gifts from the capital of an estate, received either directly from the estate or from another registered charity;
- gifts that are subject to the stipulation that the property donated must be held for at least ten years. If the donor is another registered charity, the donor itself must have received the gift with the requirement to hold it for at least ten years.

### Obtain authorization from the CRA

A registered charity can, with written approval from the CRA, accumulate property for a particular purpose in accordance with the terms and conditions of the approval; the effect is that the charity's disbursement quota will not apply for any property accumulated after the approval has been granted. Consequently the accumulated property, including any income earned on it, will be treated as though it had been expended on charitable activities carried on by the charity in the taxation year.

If during the established time the accumulated property is not used for the purpose for which it was approved, it will be deemed to represent gifts made to the charity in exchange for receipts for the year during which the charity is in default and the disbursement quota requirements will apply. It is not necessary, however, that the amount be used for the same charitable purpose as provided in the application to accumulate property.

### Take advantage of the time between encashment and disbursement

Because the amount to be disbursed for a particular year is always based on the donations received in the previous year, a charity may indirectly accumulate capital starting with the year in which it commences operations and each year thereafter. The following example illustrates the point. It does not take into account the disbursement rule of 3.5% because, based on the numbers used, it would not change the result obtained if the value of the property subject to this rule is computed annually.

|   | Year 1<br>\$ | Year 2<br>\$ | Year 3<br>\$ | Year 4<br>\$ |
|---|--------------|--------------|--------------|--------------|
| Capital at beginning of the year                      | Nil          | 900          | 1,400        | 1,400        |
| Donations with receipts                               | 1,000        | 1,500        | 1,400        | 1,300        |
| Administration costs                                  | (100)        | (200)        | (200)        | (230)        |
| Disbursements: 80% of donations in the preceding year | Nil          | (800)        | (1,200)      | (1,120)      |
| Capital at the end of the year                        | 900          | 1,400        | 1,400        | 1,350        |

## Fundraising strategies

In addition to the traditional methods of fundraising that focus on individual and corporate donations, the following are some lesser-known methods that can often complement existing methods. These strategies provide advantages for both the donor and the charity.

### Pay an annuity to the donor

Making a gift in return for an annuity payable for the rest of the donor's life is a method generally used by elderly persons who need the income from their capital during their lifetime but who wish to bequeath their capital to a charity after their death.

Because the agreement usually provides that the return to the donor under the annuity will be less than the return obtained by the charity on the market, the charity receives an immediate benefit.

Assume that a donor pays an amount of \$100,000 to a registered charity. The charity contracts to pay the donor a life annuity in the amount of \$5,000 per year. Assume that the donor has a life expectancy of 15 years and that he in fact lives for 15 years and therefore should receive an amount of \$75,000 under the annuity. Also assume that the amount that the charity should pay to an arm's length third party to acquire an annuity that would procure guaranteed payments to the donor is \$40,000. In this example,

the eligible amount of the gift in the year the donation is made would be \$60,000, i.e., the difference between the amount paid by the donor (\$100,000) and the cost of the annuity (\$40,000). In addition, because the capital portion of \$40,000 of the annuity is not taxable, the donor should include in his income, over the 15-year period, only the total annuity of \$75,000 less the cost of the annuity of \$40,000.

Charities wishing to use this technique should obtain legal advice outlining the consequences and the precautions to be taken. However, **this method is not available for charitable foundations**. The CRA considers an undertaking to make annuity payments to be a debt incurred by the foundation other than in the course of its activities, which is cause for revocation of its registration.

### Request the gift in the form of a life insurance policy

The gift of a life insurance policy allows the donor to bequeath a significant amount to a registered charity while making a relatively modest annual disbursement.

There are two ways of gifting a life insurance policy to a charity. First, the proceeds of a life insurance policy may be bequeathed to the charity on death. The proceeds bequeathed represent the value of the gift that may give rise to a receipt on death. The annual premiums paid by the taxpayer until his death do not constitute charitable donations, however. The registered charity will benefit because

the amount received on the death of the insured constitutes capital and, even if a receipt is issued, the funds are not subject to the annual disbursement rules before they are effectively expended.

The second method is the transfer of ownership of a life insurance policy taken out by a taxpayer to a charity. A donation receipt is issued if there is an absolute assignment of the policy to the charity and the charity becomes the beneficiary. The amount of the donation is equal to the cash surrender value of the policy at the time of transfer plus any accumulated dividends and interest which are also assigned at that time. If there is no cash surrender value, it is not considered to be a gift. Future payments of premiums constitute a gift, however, whether the premiums are paid directly to the insurance company or a gift of an amount of money is made to the charity to provide for the payment of the premiums. No additional gift is considered at death.

In the years after the transfer, the charity's disbursement quota will be affected only by the premiums paid by the taxpayer and not by the value of the policy held as an investment.

### **Request the gift in the form of a residual interest**

This technique involves transferring the ownership of a property to a registered charity, but leaving the use of or the income generated from the property in the hands of the donor for a certain period of time.

A common period of time is until the death of the donor. This technique is often used for works of art, but may be used for many other types of property, including houses, shares, and bonds.

The advantage of this technique for a registered charity is that the charity acquires immediate ownership of the property and does not have to deal with the donor's changing his or her mind. The donor retains the use of the property and obtains a charitable donation receipt immediately for an amount equal to the difference between the fair market value of the property gifted and the present value of the right to use the property at the time of transfer. The factors to be considered in determining present value may vary according to the nature of the property and the terms of the gift.

However, **this technique could also result in a disadvantage to certain charities.** The issue of a receipt requires that the charity benefiting from the residual interest disburse at least 80% of the value of the receipt issued on charitable activities in the subsequent year. Because the charity does not receive anything when the gift is made, a liquidity problem could arise unless the gift of the residual interest is subject to a direction that it be retained for at least ten years and, consequently, is excluded from the 80% rule.

## Indirect tax – overview

In view of the somewhat complex nature of the application of indirect tax (goods and services tax (GST), harmonized sales tax (HST), Quebec sales tax (QST) and retail sales tax (RST)) to charities, you should consult an indirect tax specialist to review any particular situation.

### Goods and services tax

GST is a value added tax of 6% applicable to all stages of business and is collected on taxable supplies made by registrants. GST is also payable on the importation of goods into Canada and, in some circumstances, by persons acquiring services or intangibles from non-resident, non-registrant suppliers.

Registrants who pay GST on taxable purchases used in the course of their own “commercial activities” (generally, the making of taxable, including zero-rated, supplies for consideration) may recover any GST so paid as an input tax credit (ITC). ITCs may be offset against GST collected and the net difference paid periodically to the government via the rendering of returns (or recovered, if ITCs exceed the GST collected).

Most supplies made in Canada are taxable; however, there are two categories of supplies that are exempt from GST, namely:

- “Exempt with credit”, generally referred to as “zero-rated” supplies: these are supplies that are actually taxable, but a rate of 0%. Zero-rated supplies include basic groceries and eligible medical devices, exports and prescription drugs.
  - “Exempt without credit”, generally referred to as exempt supplies: these supplies are not made in the course of commercial activity, which means that suppliers do not collect any GST on the consideration received for such supplies and are not able to recover ITCs in respect of the GST incurred on related expenses. Exempt supplies include sales of used housing, financial services, education services and most supplies made by charities.
- Grants, donations and other similar transfer payments are generally considered not subject to GST and can effectively be ignored.

### GST and charities

For GST purposes, charities are divided into two main categories:

- “Public institutions” (PIs), i.e. charities that are also school authorities, public colleges, universities, hospital authorities or municipalities.
- All other charities, i.e. foundations, relief organizations, etc.

The general rules for non-charities, i.e. that every supply is taxable unless an overriding exemption applies, is reversed for charities and PIs, and so every supply made by a charity or PI is exempt unless an overriding taxing provision applies. However, there are number of additional exemptions and override

rules that can affect supplies made by charities and PIs that flip supplies from taxable to exempt, and back again.

Although GST legislation provides separate sets of rules for PIs and charities, these rules are, with only a few exceptions, pretty much the same (for example, the supply of a parking space is excluded from the general exemption for PIs, but not for charities).

In addition to the general rules for PIs and charities, there are specific rules for health care services, education services and child care services and for “public sector bodies”, which include non-profit organizations and governments as well as PIs and charities.

PIs and charities may recover a 50% rebate of the GST incurred on expenses where an ITC is not available. In addition, PIs may recover a higher rate of rebate for expenses that relate to specific activities in which they may be engaged: for example, a hospital authority may recover a rebate of 83% of the GST paid on expenses that relate to the operation of a public hospital, and a school authority may recover a rebate of 68% of the GST incurred on expenses that relate to its operation of a school.

### Taxable supplies

As stated above, all supplies made by PIs and charities are exempt unless a specific taxing provision applies. The list of taxable supplies made by PIs and charities, which is not extensive, includes:

#### Taxable supplies

| Public institution                  | Charity                             |
|-------------------------------------|-------------------------------------|
| - Sale of new goods                 | - Sale of new goods                 |
| - Sale of manufactured goods        | - Sale of manufactured goods        |
| - Supply of car parking             | - Zero-rated supplies               |
| - Zero-rated supplies               | - Admissions exceeding \$1          |
| - Catering contracts                | - Certain recreational memberships  |
| - Certain memberships               | - Certain supplies of real property |
| - Instructing individuals           |                                     |
| - Certain admissions                |                                     |
| - Certain supplies of real property |                                     |

The taxable status of the foregoing supplies may be amended by one of the override rules, which include:

|                   |  |
|-------------------|--|
| Direct cost rule  | Essentially, otherwise taxable sales of goods sold at or below cost (i.e. with no mark-up) are exempt. |
| Fund-raising      | Otherwise taxable goods sold at a one-off fundraising event are exempt.                                |
| Nil consideration | Supplies made for no consideration are exempt.   |

### Simplified methods of accounting

PIs can elect to operate the special quick method of accounting (SQM). Under this method, the PI collects GST at 6%, but is only required to remit a lower percentage of the GST-included taxable revenue (generally around 85% to 95% of GST collected). PIs using the SQM may not recover ITCs on related expenses but can recover rebates.

Charities may not elect to use the SQM but are instead *required* to account for GST under another method, known as the streamlined accounting method (SAM). Although this method is similar to the SQM, the remittance rate is much lower. Generally, charities are only required to remit 60% of the GST collected and, as with the SQM, may recover rebates of GST but not ITCs. Charities that make zero-rated supplies, substantially all taxable supplies or supplies outside Canada, may elect out of the SAM.

Certain supplies, such as capital or real property used primarily (50% or more) in commercial activities, are excluded from the scope and coverage of the SQM and the SAM; they are, rather, subject to the normal GST accounting rules (i.e. to remit all GST collected and recover ITCs).

### Purchases by a charity

Although charities are not generally entitled to recover any ITCs, GST incurred on certain expenses, such as capital property relating primarily to commercial activities, is recoverable as an ITC. However, where a charity has elected out of the SAM, it may recover ITCs on expenses related to commercial activities.

Registered PIs, on the other hand, are generally able to claim ITCs unless they have elected to use the SQM. Most PIs, due to their mix of taxable and exempt supplies, will likely need to allocate expenses between taxable and exempt activities.

Under an allocation method, a charity or PI must directly attribute expenses to either taxable or exempt activities as far as is possible and can claim ITCs or rebates as applicable. Any non-attributable expenses may be apportioned between taxable and exempt activities through use of a fair and reasonable method.

### Gifts and sponsorships

Gifts of property or services received by a charity or PI are not subject to GST if made for no consideration; therefore, the giftor is not required to collect any GST on the value of the gift even if it is a GST registrant and the charity or PI is not required to self-assess any GST. Similarly, business sponsorships made in exchange for publicity that is not primarily (50% or more) television, newspaper or magazine

advertising are not considered supplies for GST purposes. Other sponsorships may be considered supplies, but are exempt services under the general rules for PIs and charities.

In some cases, GST-registered donors will sell property or services to a charity or PI and then donate the proceeds back to the same organization. These so-called “cheque-flips” have a GST implication in that the charity or PI must pay GST on the initial purchase if it was taxable, and will only likely be able to recover a rebate of GST paid. The donation of money is ignored for GST purposes.

## GST registration

A charity or PI engaged in commercial activities generating taxable revenues that do not exceed \$50,000 for four consecutive calendar quarters does not have to register for GST. In addition, registration is not required for charities and PIs with gross revenues below \$250,000 per annum. “Gross revenue” for registration purposes has the same meaning as for income tax and the gross revenue criterion applies to the charity or PI as a whole (including its divisions and branches). For example, a charity with total taxable supplies in excess of \$50,000 for four consecutive calendar quarters and total revenues in excess of \$250,000 is required to register for GST. Charities or PIs not meeting the foregoing thresholds are referred to as small suppliers.

A charity with several divisions or branches can elect to have its divisions or branches recognized separately for application of the small suppliers’ rule. By using this election, some charities can avoid having

to register and collect GST even though the total taxable supplies for the organization may exceed the threshold.

## Elective positions

As discussed above, PIs may elect to operate the SQM and charities may elect to opt out of the SAM, and charities and PIs may elect to account for GST on a branch-by-branch basis; however, there are a number of other elections available, such as:

- Most supplies of real property made by a charity or PI are exempt from GST, meaning the charity does not collect any GST on revenues derived from real property and cannot claim an ITC in respect of related expenses, including GST payable on the purchase of the real property. However, charities and PIs are entitled to file an election to make any such exempt supplies taxable.
- PIs that are educational institutions may elect to make certain exempt instructional courses taxable.

## Harmonized sales tax

For GST-taxable supplies made in Nova Scotia, New Brunswick and Newfoundland and Labrador (the “participating provinces”) the rate is 14% and is referred to as HST. The 14% rate comprises a federal portion of 6% and a provincial portion of 8%. HST is grounded on the same base as GST and applies to charities and PIs in exactly the same way except for the rebate rate applicable to certain PIs in certain provinces (for example, universities in Newfoundland and Labrador can only recover a rebate based on the 6% federal portion).

GST-registered charities are automatically registered for HST and are required to account for HST on taxable supplies made in the participating provinces. Charities must also include any HST in the SAM and PIs that elected to use the SQM must account for HST under the SQM rules.

Charities bringing GST-paid goods into the participating provinces are required to self-assess the 8% provincial component of HST on the lesser of the fair market value and the consideration paid for those goods. Similarly, charities acquiring GST-paid services or intangibles outside of the participating provinces primarily (more than 50%) for use in the participating province must also self-assess the provincial component of the HST.

Any self-assessed HST calculated on importation may be recovered as a rebate or an ITC subject to the normal GST rules.

### Quebec sales tax

Quebec sales tax (QST) is similar in design and application to GST and applies to supplies made in the province of Quebec. QST applies at 7.5% on top of GST-included consideration; therefore, the effective rate is 7.95%.

The rules respecting the application of QST to charities and PIs are harmonized with the GST rules and so the various taxing and exemption rules apply in a similar fashion.

As with GST, charities are eligible for a 50% rebate on the QST paid on their purchases, and PIs can recover higher rebate amounts when applicable.

### Retail sales tax

British Columbia (7%), Saskatchewan (7%), Manitoba (7%), Ontario (8%) and P.E.I. (10% on a GST-included base, i.e., 10.6%) all impose a provincial RST.

Unlike GST, with its wide scope, RST is imposed on the consumption of taxable property within the province and on the consumption of a limited number of taxable services consumed within a province.

There is no ITC mechanism under RST, but an exemption for goods for resale is available to remove RST from the supply chain.

Most of these provinces treat charities and PIs no differently from any other business and require RST to be collected on taxable sales; all of these provinces provide exemptions to hospitals, schools, universities and colleges to a greater or lesser extent.

Only Ontario has any significant rules for charities and PIs and provides exemptions for certain of their fundraising activities and purchases.

# References

## List of Canada Revenue Agency's interpretation bulletins and information circulars

### Interpretation Bulletins

|   |          |
|---|----------|
| Non-Profit Organizations – Taxation of Income from Property – October 31, 1990                  | IT-83R3  |
| Vow of Perpetual Poverty – September 8, 1975  | IT-86R   |
| Gifts and Official Donation Receipts – June 20, 1997  | IT-110R3 |
| Gift of Residual Interest to a Charity – November 29, 1991                                      | IT-226R  |
| Gifts of Life Insurance Policies as Charitable Donations – September 6, 1991                    | IT-244R3 |
| Gift of Capital Properties to a Charity and Others – January 16, 1995                           | IT-288R2 |
| Gifts in Kind to Charity and Others – March 21, 1990  | IT-297R2 |
| Disposition of Canadian Cultural Property to Designated Canadian Institution – October 23, 2001 | IT-407R4 |
| Non-Profit Organizations – February 18, 1983 – Special Release, August 2, 2001                  | IT-496R  |
| Visual Artists and Writers – December 21, 2000  | IT-504R2 |

### Information Circulars

|  |        |
|--|--------|
| Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools – September 29, 1975 | 75-23  |
| Registered Charities: Designation as Associated Charities – April 18, 1977   | 77-6   |
| Communal Organizations – September 11, 1998  | 78-5R3 |
| Gifts to Certain Charitable Organizations Outside Canada – May 31, 2000 and Attachment of July 18, 2006              | 84-3R5 |

### CRA Web site:

[www.cra-arc.gc.ca/tax/charities](http://www.cra-arc.gc.ca/tax/charities)

## Offices in Canada

### British Columbia

|                     |                |
|---------------------|----------------|
| Langley .....       | (604) 534-7477 |
| Prince George ..... | (250) 564-1111 |
| Vancouver .....     | (604) 669-4466 |

### Alberta

|                |                |
|----------------|----------------|
| Calgary .....  | (403) 267-1700 |
| Edmonton ..... | (780) 421-3611 |

### Saskatchewan

|                     |                |
|---------------------|----------------|
| Prince Albert ..... | (306) 763-7411 |
| Regina .....        | (306) 525-1600 |
| Saskatoon .....     | (306) 343-4400 |

### Manitoba

|                |                |
|----------------|----------------|
| Winnipeg ..... | (204) 942-0051 |
|----------------|----------------|

### Ontario

|                      |                |
|----------------------|----------------|
| Burlington .....     | (905) 315-6770 |
| Hawkesbury .....     | (613) 632-4178 |
| Kitchener .....      | (519) 650-7600 |
| London .....         | (519) 679-1880 |
| Markham .....        | (905) 948-6200 |
| Ottawa/Hull .....    | (613) 236-2442 |
| St. Catharines ..... | (905) 323-6000 |
| Toronto .....        | (416) 601-6150 |
| Windsor .....        | (519) 967-0388 |

### New Brunswick

|                  |                |
|------------------|----------------|
| Saint John ..... | (506) 632-1080 |
|------------------|----------------|

### Nova Scotia

|               |                |
|---------------|----------------|
| Halifax ..... | (902) 422-8541 |
|---------------|----------------|

### Newfoundland and Labrador

|                  |                |
|------------------|----------------|
| St. John's ..... | (709) 576-8480 |
|------------------|----------------|

### Quebec

|                          |                |
|--------------------------|----------------|
| Alma .....               | (418) 669-6969 |
| Amos .....               | (819) 732-8273 |
| Baie-Comeau .....        | (418) 589-5761 |
| Chicoutimi .....         | (418) 549-6650 |
| Dolbeau-Mistassini ..... | (418) 276-0133 |
| Farnham .....            | (450) 293-5327 |
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| Grand-Mère .....         | (819) 538-1721 |
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