Rodney W. McNeil
Professional Corporation
Certified General Accountant

"Working together,
to attain your goals"

NON-PROFIT ORGANIZATIONS (NPO's) ARE YOU FILING CORRECTLY WITH CRA?

Many Non-Profit organizations out there are unknowingly not filing the required forms with Canada Revenue Agency, which has been a result of both the client not being aware of this, and also their accountants not being aware of these requirements. This can subject them to very severe penalties for failure to remit. For the past couple of years, and ending later in 2013, CRA has been conducting the Non-Profit Organization Risk Identification Project. This project is auditing approximately 1,500 NPO's out of approximately 40,000 registered in Canada. The purpose of this project is to identify where NPO's have not been filing correctly, and also to identify where NPO's are offside with respect to maintaining their non-taxable status. It is clear that CRA is becoming much more aggressive in their dealings with NPO's and their desire to ensure NPO's are following the rules and making appropriate filings. I have briefly summarized some of the filings which non-profit organizations may be required to file below (please note, this refers to Non-Profit Organizations, and not charities, which have their own set of rules pertaining to filing):

1. T2 corporate tax return. If the NPO is incorporated, then it is required to file a T2 corporate tax return. Many people think that because it is non-taxable, the NPO is not required to file the T2. This is incorrect, and it must be filed. The requirements to file this corporate tax return can be found on the CRA website.
2. T1044 (Non-Profit Organization (NPO) Information Return). Penalties of up to $2,500 could apply for each year a return failed to be filed when it was required to be. This return needs to be filed by a non-profit if:

   - it received or was entitled to receive taxable dividends, interest, rentals, or royalties totalling more than $10,000 in the fiscal period;

   - the total assets of the organization were more than $200,000 at the end of the immediately preceding fiscal period (the amount of the organization's total assets is the book value of these assets calculated using generally accepted accounting principles); or

   - it had to file an NPO information return for a previous fiscal period
3. T3 Trust Return. Generally the income of an NPO is exempt from tax. However, the provisions of subsection 149(5) override this exemption and tax the income from property of those clubs, societies and associations that have as their main purpose the provision of dining, recreational or sporting facilities for their members. A golf course is a typical organization which falls under these rules. Under subsection 149(5), an inter vivos trust is deemed to exist throughout the period and the property of the club is deemed to be property of the trust. An NPO is required to file a T3 return when the gross or total income from property, including taxable capital gains, of the deemed trust exceeds $500 for the year. Penalties can be 5% or 10% of unpaid tax plus 1% or 2% of unpaid tax for each month it is late up to 12 or 20 months.

All NPO's should be aware of their reporting and filing requirements and should also ensure their accountants are knowledgeable on this as well. There may be some relief provided under the Voluntary Disclosure Program, however certain criteria would need to be met to be eligible. To learn more about me and my practice, please see my contact details below:

WEBSITE: www.rwmcga.com | EMAIL: rodney@rwmcga.com | PHONE: 778-552-0229