



Canada Revenue
Agency

Agence du revenu
du Canada

Income Tax Guide to the Non-Profit Organization (NPO) Information Return

Includes Form T1044

Before You Start

Is this guide for you?

This guide is for you if you represent an organization that is:

- a non-profit organization (NPO) described in paragraph 149(1)(l) of the *Income Tax Act* (the Act); or
- an agricultural organization, a board of trade or a chamber of commerce described in paragraph 149(1)(e) of the Act.

What is a non-profit organization?

A NPO described in paragraph 149(1)(l) is a club, society or association, **that is not a charity as defined in the Act** that is organized and operated solely for:

- social welfare;
- civic improvement;
- pleasure or recreation; or
- any other purpose except profit.

Also, to be considered a NPO, no part of the income of such an organization can be payable to or available for the personal benefit of any proprietor, member or shareholder, unless the proprietor, member or shareholder is a club, society or association whose primary purpose and function is to promote amateur athletics in Canada.

A NPO is exempt from tax under Part I of the Act on all or part of its taxable income for a fiscal period if it meets all of the above requirements for that period.

Note

Although a factual determination must be made in each case, most residential condominium corporations qualify as non-profit organizations under paragraph 149(1)(l) because they are usually operated for purpose other than profit.

For more information on whether the organization qualifies as a NPO described in paragraph 149(1)(l), see Interpretation Bulletin IT-496, *Non-Profit Organizations*.

What is an agricultural organization?

For purposes of paragraph 149(1)(e), an agricultural organization is an entity organized and operated for one or more of the following purposes:

- the advancement or furtherance of agriculture;
- the betterment of the conditions of those engaged in agricultural pursuits;
- the improvement of the grade or quality of their pursuits; or
- the development of a higher degree of efficiency in their respective occupations.

What is a Board of Trade or a Chamber of Commerce?

A board of trade or a chamber of commerce is generally an association to promote local commercial interests.

If the organization you represent falls into one of the categories of NPO described above, you should use this guide. The guide includes general information about the return as well as step-by-step instructions on how to complete it.

Distinguishing non-profit organizations from registered charities

As noted above, in order to be a NPO, an organization cannot be a charity, as defined in the Act. There are differences between these organizations. Under the Act, a charity may apply to the Canada Revenue Agency for registration. Upon its acceptance as such, a registered charity is exempt from income tax under paragraph 149(1)(f). It can issue charitable donation receipts for tax purposes. Generally, a registered charity also has to disburse 80% of the funds for which it issued charitable donation receipts on its own charitable activities or as gifts to qualified donees.

A NPO does not have to register either federally or provincially to acquire its tax-exempt status. A NPO cannot issue tax receipts for donations or membership fees contributed and it is not required to disburse a specified percentage of its earnings.

For more information about registered charities, see the guide RC4108, *Registered Charities and the Income Tax Act*.

Forms and publications

In this guide, you will find two copies of Form T1044, *Non-Profit Organization (NPO) Information Return*. To get more copies of this form and other forms or publications, visit our Web site at www.cra.gc.ca or call 1-800-959-2221.

Need more information?

This guide uses plain language to explain the most common situations. If after reading it you need more information, call us at 1-800-959-5525 for service in English or 1-800-959-7775 for service in French.

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In this publication, we use the name “Canada Revenue Agency” and the acronym “CRA” to represent the Canada Customs and Revenue Agency. This reflects recent changes in the structure of the Agency.

La version française de cette publication est intitulée T4117, *Guide d’impôt pour la Déclaration de renseignements des organismes sans but lucratif*.

Chapter 1 – General Information

Does the organization you represent have to file a *Non-Profit Organization (NPO) Information Return*?

Under subsection 149(12) of the *Income Tax Act*, an organization may have to file a Form T1044, *Non-Profit Organization (NPO) Information Return* for a fiscal period ending after December 31, 1992, if it is:

- a non-profit organization described in paragraph 149(1)(l); or
- an agricultural organization, a board of trade or a chamber of commerce described in paragraph 149(1)(e).

However, the organization will only have to file a NPO information return 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
- a NPO information return had to be filed for a previous fiscal period.

Notes

Corporations operating exclusively to provide **low-cost housing for the aged** are not required to file Form T1044 if no part of the income was payable to or available for the personal benefit of any proprietor, member or shareholder. Subsection 149(12) does not apply in such cases, since these corporations are exempt from Part I tax under paragraph 149(1)(i).

Registered charities, registered Canadian amateur athletic associations, and registered national arts service organizations do not have to file Form T1044.

When calculating whether or not you have to file the NPO return, you should only include the actual amount of taxable dividends that the organization received or was entitled to receive.

Once an organization has filed a NPO information return for a fiscal period, it must file an information return for all subsequent fiscal periods, as long as it remains an NPO and regardless of the dollar value of its revenues or the book value of its assets in those later years.

Example

Q. XYZ Ltd. is a NPO. At the end of its previous fiscal period it had total assets with a book value of \$350,000, and it had received rental income of \$7,000. At the end of its current fiscal period the book value of its total assets decreased to \$198,000, and its rental income decreased to \$3,500. Does XYZ Ltd. have to file an NPO information return?

- A.** Yes. XYZ Ltd. will have to file the NPO information return for its current fiscal period based on the book value of its total assets in the previous fiscal period. Since its total assets in that period were more than \$200,000, XYZ Ltd. has to file the NPO return for the current fiscal period **and all future fiscal periods.**

A fiscal period is the period for which an organization's accounts have been prepared. In the case of a corporation, the fiscal period cannot be more than 53 weeks and, in any other case, it cannot be more than 12 months.

An organization that has to file a NPO information return may also have to file other returns such as a *T2 Corporation Income Tax Return*, a *T2 Short*, or a *T3 Trust Income Tax and Information Return*. The *T4012, T2 Corporation – Income Tax Guide* and the *T4013, T3 Trust Guide*, contain information to help file T2 or T3 returns.

For information on returns that certain clubs, societies or associations may have to file, see Interpretation Bulletin IT-83, *Non-Profit Organizations – Taxation of Income From Property*.

A NPO is not required to include financial statements with the NPO information return.

If the organization is involved in one or more activities, the amounts you have to report on the NPO information return will include total receipts, assets, liabilities, and remuneration related to all activities.

When does an organization have to file its annual return?

An organization has to file its NPO information return no later than six months after the end of its fiscal period.

Use the envelope enclosed with the NPO information return package to mail your return to:

Ottawa Technology Centre
875 Heron Road
Ottawa ON K1A 1A2

You can also drop it off at your tax services office.

The organization you represent may have more than one fiscal period ending in a 12-month period (or a 53-week period for corporations). In this case, it has to file the NPO information return for each of these periods, no matter how long they are.

If the organization has to file a NPO information return and fails to do so on time, the basic penalty is \$25 a day. There is a minimum penalty of \$100 and a maximum of \$2,500 for each failure to file. We can waive penalties if you file the NPO information return late because of extraordinary circumstances beyond your control. If this occurs, include a letter with the return giving the reasons why the return is late. If you need more information, see Information Circular IC92-2, *Guidelines for the Cancellation and Waiver of Interest and Penalties*.

Asking us to acknowledge your return

If you want us to acknowledge that we have received your NPO information return, include two copies of a letter with the return, asking us for an acknowledgement. We will date-stamp the letters and return one copy to you.

We will only send a *Notice of Assessment* if we have to charge the organization a penalty for late filing or failure to file.

Making changes to your return

If you want to change your return, send us a letter with explanations of the changes you want to make, or fill out a new return, or make corrections on a photocopy of the original return. Make sure you include all the same information that was on the original return except for the lines that you are changing. Clearly print the word "AMENDED" at the top of page 1. Send the letter or the amended return to:

Ottawa Technology Centre
875 Heron Road
Ottawa ON K1A 1A2

Confidentiality

The information you give us will stay confidential under the *Privacy Act*. However, you can authorize a representative to discuss the organization's affairs with us.

For faster service, you can complete Form RC59, *Business Consent Form*. That way, we can quickly verify your authorization when your representative calls us to discuss your tax situation. For information on obtaining this form, see "Forms and publications" on page 2. You have to send us a separate consent form each time you give or cancel an authorization.

Reviews and audits

Our authorized officials may conduct in-depth reviews or audits of the information returns that the organization files as well as of its books and records.

To prepare for such reviews and audits, the organization has to keep detailed books and records that will allow us to verify the amounts reported on the information return. It has to keep these books and records for at least six years after the end of the fiscal period to which they relate. Information Circular IC71-14, *The Tax Audit*, contains more information on the audit process.

If you want to destroy your books and records before the six-year period is up, you first have to get written permission from the director of your tax services office. To do this, either use Form T137, *Request for Destruction of Books and Records*, or prepare your own written request. If you need more details, get Information Circular IC78-10, *Books and Records Retention/Destruction*.

Chapter 2 – How to Complete the NPO Information Return

The information in this section follows the order of the lines on the return, which is divided into the following seven sections:

- Section A – Identification
- Section B – Amounts received during the fiscal period
- Section C – Statement of assets and liabilities at the end of the fiscal period
- Section D – Remuneration
- Section E – The organization's activities
- Section F – Location of books and records
- Section G – Certification

You have to complete all areas on the return that apply to the organization.

If you need more information, contact your tax services office or tax centre.

Section A – Identification

Fiscal period – Enter the dates on which the fiscal period covered by this return began and ended.

Name and address of organization – Print the full name and address of the organization.

Name and title of person to contact – If you want us to send correspondence to a particular individual's attention, print their full name and title in the space provided.

Business Number (BN) – If the organization has a Business Number, write the first nine digits of it in the space provided.

Trust (T3) number – If the organization has a Trust (T3) number, write it in the space provided.

If you do not have either of these numbers, request a Business Number or a Trust (T3) number from the tax services office.

Is this the final return to be filed by this organization? – Check the appropriate box. Attach an explanation to the return if the organization no longer exists and this is the final return.

Type of organization – Write the two-digit code that best describes the organization. The codes and types of organizations are as follows:

Code	Type of organization
01	Recreational or social organization
02	Professional association
03	Board of trade or chamber of commerce
04	Organization operated for civic improvement
05	Agricultural organization
06	Educational organization
07	Multicultural organization
08	Arts or cultural organization
09	Low-cost housing organization
10	Residential condominium corporation
30	Other

Section B – Amounts received during the fiscal period

Amounts received (lines 100 through 107)

If the organization prepares its financial statements using the accrual method, you can report amounts on lines 100 to 106 using this method.

Line 100 – Membership dues, fees, and assessments

Report the total amount of membership dues, fees, and assessments the organization received from members in the fiscal period. For example, report club memberships, professional association dues, or membership fees.

Line 101 – Federal, provincial, and/or municipal grants and payments

Report the total amount of grants or payments the organization received from any level of government or governmental agency in the fiscal period. For example, include grants to assist agriculture and industry, or grants to promote the arts.

Line 102 – Interest, taxable dividends, rentals, and royalties

Interest – Report the total interest the organization received for the fiscal period. For example, include interest from bank accounts, mortgages, bonds, or loans. Also include interest received from non-arm’s-length transactions. Include these amounts whether or not your organization received an information slip for this income.

Taxable dividends – Report the amount of taxable dividends that the organization received from:

- corporations residing in Canada; and
- foreign corporations not residing in Canada.

Rentals – Report the total receipts from property rentals the organization received in the fiscal period. Do not deduct related rental expenses.

Royalties – Report the total royalties the organization received during the fiscal period. For example, report royalties from publications, music, oil, and gas.

Note

Report the full amount of all foreign interest, taxable dividends, rental receipts, and royalties that the organization received in the fiscal period. Report these amounts in Canadian dollars, converted at the rate of exchange in effect when the organization received the amounts. Do not deduct any tax that was already deducted at source from these amounts.

Example

The ABC Tennis Association is a NPO. The following transactions occurred during the current fiscal period:

- It received \$2,000 in interest from term deposits.
- It received taxable dividends of \$2,200 from XYZ Corporation, a corporation residing in Canada.
- It received \$500 in taxable dividends from MNO, a foreign corporation. MNO withheld \$120 in tax at source. The amounts received and withheld were converted to

Canadian dollars based on the exchange rate in effect on the date the organization received the taxable dividends.

- It received a total of \$6,200 in rental receipts. The related rental expenses amounted to \$3,600.
- It received \$3,350 in royalties from one of its publications.

The total amount that the organization should report on line 102 is:

Interest	\$2,000
Taxable dividends from a corporation residing in Canada.....	\$2,200
Taxable dividends received from a foreign corporation (\$500 + \$120)	\$620
Rental	\$6,200
Royalties	<u>\$3,350</u>
Total	<u>\$14,370</u>

Note

The total amount that the ABC Tennis Association received or was entitled to receive from interest, taxable dividends, rentals, and royalties is \$14,370. This is more than the \$10,000 filing requirement. Therefore, ABC has to file the *Non-Profit Organization (NPO) Information Return* for the current fiscal period, **and all future fiscal periods.**

Line 103 – Proceeds of disposition of capital property

Report any proceeds of disposition the organization received. Generally, the proceeds of disposition are equal to the selling price on the date of the sale. However, the proceeds can also include compensation the organization received for property that was destroyed, expropriated, stolen, or damaged. If the proceeds of disposition are not money, use the fair market value of the goods or services you received on the date of the sale as the proceeds of disposition. Examples of capital properties include land, buildings, securities, and works of art.

Line 104 – Gross sales and revenues from organizational activities

Report sales and revenues received in the fiscal period from all organizational activities. Include such amounts as sales and revenues from programs, services, and fund-raising. Do not deduct any related expenses.

Line 105 – Gifts

Report the total amount of gifts the organization received during its fiscal period. These include gifts:

- from foreign sources;
- of capital received from a bequest or inheritance;
- subject to a trust; and
- from other organizations.

Line 106 – Other receipts (specify)

Report any other amount the organization received in the fiscal period on line 106. Specify in the space provided the nature of the amount you are reporting.

Section C – Statement of assets and liabilities at the end of the fiscal period

Assets (lines 108 through 116)

Record all the organization's assets (other than cash or amounts receivable) based on their cost. If you use another method of accounting, please tell us the method you have chosen.

If the organization is using the accrual method, report amounts on lines 108 to 119, where they apply.

Line 108 – Cash and short-term investments

Report the total amount of the organization's cash and short-term investments that are on hand at the end of the organization's fiscal period. Cash includes cash on hand and cash deposits. Short-term investments include treasury bills and term deposits. We consider any investment that has a maturity period of one year or less to be a short-term investment.

Line 109 – Amounts receivable from members

Report the total funds owing to the organization from members at the end of the organization's fiscal period. Include such amounts as loans, mortgages, and amounts connected to the sale of the organization's goods and services to these people.

Line 110 – Amounts receivable from all others (not included on line 109)

Report the total funds owing to the organization from all persons other than members at the end of the organization's fiscal period. Include such amounts as loans, mortgages, and amounts connected to the sale of goods and services. **Do not include the amounts you reported on line 109.**

Line 111 – Prepaid expenses

Report the total amount of all prepaid expenses at the end of the organization's fiscal period. Include such amounts as prepaid rent and prepaid insurance.

Line 112 – Inventory

Report the cost of all goods on hand at the end of the organization's fiscal period, including work in progress. Do not include supplies or other items not regularly offered for sale.

Line 113 – Long-term investments

Report the total cost of long-term investments on hand at the end of the organization's fiscal period. Include stocks, notes, bonds, and other securities. We consider any investment that has a maturity period of more than one year to be a long-term investment.

Line 114 – Fixed assets

Fixed assets include land, buildings, and equipment. Report fixed assets on hand at the end of the organization's fiscal period at their book value. For depreciable assets, **book value** equals the cost of the asset **minus** accumulated depreciation. For all other assets, it equals the cost.

Line 115 – Other assets (specify)

Examples of other assets are vehicles, supplies, and works of art. Report all other assets on hand at the end of the organization's fiscal period at their book value. For depreciable assets such as vehicles, **book value** equals the cost of the asset **minus** accumulated depreciation. For all other assets, it equals the cost.

Liabilities (lines 117 through 119)

Line 117 – Amounts owing to members

Report the total amounts owing to members of the organization at the end of the organization's fiscal period. Include such amounts as loans, mortgages, salaries payable, and payments due for goods and services received.

Line 118 – Amounts owing to all others (specify)

Report the total of all other liabilities of the organization. Include amounts owing to other persons or organizations, such as loans, mortgages, notes, salaries to non-members, and grants payable. **Do not include amounts you reported on line 117.**

Section D – Remuneration

Line 120 – Total remuneration and benefits paid to all employees and officers

Report the total amount the organization paid out in remuneration and benefits to **all** employees and officers (including employees and officers who are or were members) during the fiscal period. Include amounts such as salaries, commissions, bonuses, directors' fees, trips, travel expenses, and benefits from housing loans.

Line 121 – Total remuneration and benefits paid to employees and officers who are members

Report the total amount the organization paid out during the fiscal period in remuneration and benefits **only** to employees and officers who are or were members of the organization at any time during that period. Members include both individuals and corporations. Include amounts such as salaries, commissions, bonuses, directors' fees, trips, travel expenses, and benefits from housing loans.

Line 122 – Other payments to members (specify)

Report the total of any payments the organization made to members during the fiscal period, other than payments made in the usual course of employment or commercial transactions. **Do not include amounts reported on lines 120 and 121.**

Number of members in the organization

In the box provided, enter the number of members in the organization at the end of the organization's fiscal period.

Number of members who received remuneration or other amounts

In the box provided, enter the total number of members who received remuneration, benefits or other payments during the fiscal period covered by the return.

Section E – The organization’s activities

Briefly describe the activities of the organization. If this is the organization’s first year filing the NPO information return, include a copy of the organization’s *Mission Statement* with the return.

Also, indicate whether the organization carries on activities outside Canada. If so, give the location.

Section F – Location of books and records

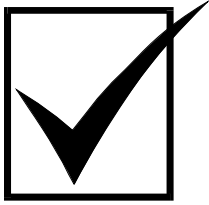
Print the name, address, and telephone number of the person we should contact about the organization’s books and records. Leave this area blank if the information is the same as that in Section A.

Section G – Certification

The NPO information return has to be certified to show that the information in the return is correct and complete. Only a current officer of the organization can sign the return to certify it.

Your opinion counts!

We review our income tax guides and pamphlets each year. If you have any comments or suggestions to help us improve our publications, we would like to hear from you!



Please send your comments to:

**Client Services Directorate
Canada Revenue Agency
Lancaster Road
Ottawa ON K1A 0L5**

Notes

