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

97



Before You Start

Is this guide for you?

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

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

You may have to complete Form T1044, *Non-Profit Organization (NPO) Information Return*, if you represent one of these organizations, and your organization meets one of the following conditions:

- the organization received or is 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; or
- an NPO return had to be filed for a preceding fiscal period.

An NPO described in paragraph 149(1)(l) of the *Income Tax Act* is a club, society, or association that is organized and operated solely for:

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

Also, no part of the income of these organizations can be payable to, or otherwise available for the personal benefit of any proprietor, member, or shareholder, unless the proprietor, member, or shareholder was a club, society, or association whose primary purpose was to promote amateur athletics in Canada.

If your organization meets one of the conditions 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.

Note

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

Distinguishing non-profit organizations from registered charities

An NPO is not a registered charity. A registered charity is a charity that has specifically applied to Revenue Canada for registration and has been accepted as such.

A registered charity can issue charitable receipts for tax purposes. An NPO does not have to register either federally or provincially to maintain its privileged tax status.

Generally, registered charities also have to disburse 80% of the funds for which they issued charitable receipts on their own charitable activities or as gifts to qualified donees. NPOs cannot issue tax receipts for donations or membership fees contributed, and they are not required to disburse a specified percentage of their earnings.

Forms and publications

In this guide you will find two copies of Form T1044, *Non-Profit Organization (NPO) Information Return*. To get additional copies of this form and other forms or publications, please contact your tax services office or tax centre. If you have access to the Internet, you can find our publications at the following address: <http://www.rc.gc.ca>

Need more information?

This guide uses plain language to explain the most common situations. If, after reading this guide, you need more information, please contact your Revenue Canada tax services office or tax centre. You can find our telephone numbers listed under "Revenue Canada" in the Government of Canada section of the telephone book.

Blind or visually impaired persons can get this publication in braille or large print, or on audio cassette or computer diskette. To order, please call 1-800-267-1267 weekdays between 8:15 a.m. and 5:00 p.m. (Eastern Time).

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Chapter 1 – General Information

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

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

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

However, your organization will only have to file the 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 your organization were more than \$200,000 at the end of the immediately preceding fiscal period (the amount of your organization's total assets is the book value of these assets calculated using generally accepted accounting principles); or
- such a return had to be filed for a preceding fiscal period.

Note

Certain NPOs are divided into chapters, each fully responsible for its own fund-raising and accounting. If the chapter meets the requirements of subsection 149(12) on its own, then it will be responsible for filing the NPO return. If the individual chapters do not meet the asset or revenue test on their own but the organization as a whole does meet the requirements, the organization should file one return on behalf of the entire organization.

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

If your organization has to file an information return for this fiscal period, it will also have to file a return for all future years. This is the case regardless of the dollar value of its revenues or the book value of its assets in those future years.

A fiscal period is the period for which the accounts of the organization have been made up. 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.

Q. JKL Ltd. is an NPO. In 1996, it had total assets with a book value of \$350,000 at the end of its fiscal period and it received rental income of \$7,000. At the end of its 1997 fiscal period, the book value of its total assets decreased to \$198,000 and its rental income decreased to \$3,500. Does JKL Ltd. have to file an NPO information return for its fiscal period ending in 1997?

A. Yes. JKL Ltd. will have to file the NPO information return for its 1997 fiscal period based on the book value of its total assets in 1996 (its immediately preceding fiscal period). Since its total assets in 1996 were more than \$200,000, JKL Ltd. will have to file the NPO return for 1997 and all future years.

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

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*.

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

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

If your 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 from all activities.

When does your organization have to file its annual return?

Your organization has to file its NPO information return, without receiving any notice or demand, no later than six months after the end of its fiscal period.

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

Tax Centre
875 Heron Road
Ottawa ON K1A 1A2

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

If your organization is incorporated, you can attach the *Non-Profit Organization (NPO) Information Return* to your *T2 Corporation Income Tax Return* or *T2 Short* and send them in together. If you choose to do so, in the "Identification" section of the NPO return, complete all areas except for the "Name of organization and address" area. Then complete sections B through G of the NPO return. Mail both returns to the tax centre that serves your corporation, or deliver them to your tax services office or tax centre. Do not use the envelope enclosed with the NPO information return package.

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

If your organization has to file an 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 may waive penalties if you file the NPO return late because of certain 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 92-2, *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 return, include two copies of a letter with your return, asking us for an acknowledgement. We will date-stamp the letters and return one copy to you.

We will only send you a Notice of Assessment if we have to charge your organization a penalty for late filing or failing to file.

Making changes to your return

If you want to change your return, send a letter with explanations of the changes you want to make, or you can fill out a new return or a photocopy of the original. 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:

Tax 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 your 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. You can get this form at your tax services office or tax centre. 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 returns that your organization files and any supporting books and records.

To prepare for such reviews and audits, your organization has to keep detailed books and records which will allow us to verify the amounts reported on the information return. It has to keep operating books and records for at least six years from the end of the fiscal period to which they relate. Information Circular 71-14, *The Tax Audit*, has 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 78-10, *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. The return 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 must fully complete all areas on the return that apply to your organization.

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

Section A – Identification

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

Name and address of organization – Please print the full name and address of your organization. Also, print the name of the person or the position of the authorized signing official.

Corporation (T2) number – If your organization has a corporation (T2) number, please write it in the space provided.

Business Number (BN) – If your organization has a Business Number, please write it in the space provided.

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

GST/HST account number – If your organization has a goods and services tax/harmonized sales tax (GST/HST) account number, please write it in the space provided.

Is this the final return to be filed by this organization? – Please check the appropriate box. Attach an explanation to your return if your organization ceases to exist and this is your final return.

Type of organization – Please write in the box on the return the two-digit code that best describes your organization. The codes and types of organizations are as follows:

Code	Type of organization
01	Recreational or social organizations
02	Professional associations
03	Boards of trade or chambers of commerce
04	Organizations operated for civic improvement
05	Agricultural organizations
06	Educational organizations
07	Multicultural organizations
08	Arts or cultural organizations
09	Other types

Section B – Amounts received during the fiscal period

Amounts received (lines 100 through 107)

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

Line 100 – Memberships, dues, and fees received

Report the total amount of memberships, dues, and fees your organization received from members in the fiscal period. For example, report club memberships, professional association dues, or membership fees. Include any GST/HST you collected on memberships, dues, and fees.

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

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

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

Interest – Report the total interest your 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 on the return whether or not your organization received an information slip for this income.

Taxable dividends – Report the actual 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 your organization received in the fiscal period. Do not deduct any related rental expenses from your organization's total rental receipts.

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

Note

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

Example

The ABC Tennis Association is an NPO. Its fiscal year end is October 31. The following transactions occurred during its 1997 fiscal period:

- It received \$2,000 in interest from term deposits on July 1, 1997.

- It received taxable dividends of \$2,200 on April 22, 1997, from XYZ corporation, a corporation residing in Canada.
- It received \$500 in taxable dividends from MNO, a foreign corporation, on November 30, 1996. 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 dividends.
- It received a total of \$6,200 in rental receipts from November 1, 1996, until October 31, 1997. The related rental expenses amounted to \$3,600.
- It received \$3,350 in royalties on September 30, 1997, from one of its publications.

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

Interest.....	\$2,000
Dividends from a corporation residing in Canada.....	2,200
Dividends received from a foreign corporation (\$500 + \$120).....	620
Rental	6,200
Royalties.....	3,350
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. ABC would, therefore, have to file the *Non-Profit Organization (NPO) Information Return for 1997 and all future fiscal periods*.

Line 103 – Proceeds of disposition of capital property

Report the proceeds of disposition your organization received. Generally, the proceeds of disposition are equal to the selling price at 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, then use the fair market value of the goods or services you received at 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 associated expenses.

Line 105 – Gifts

Report the total amount of gifts your 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.



NON-PROFIT ORGANIZATION (NPO) INFORMATION RETURN

For departmental use

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This return is for:

- non-profit organizations (NPOs) described in paragraph 149(1)(l) of the *Income Tax Act*; and
- organizations described in paragraph 149(1)(e) of the *Income Tax Act* (agricultural organizations, boards of trade, or chambers of commerce).

These organizations may have to file this return if their gross investment revenue or assets are more than a certain amount, or if the organization had to file the NPO return for a preceding fiscal period.

To determine if your organization has to complete this return, please see the guide called *Income Tax Guide to the Non-Profit Organization (NPO) Information Return*.

Section A – Identification

Fiscal period
 From 19 to 19
Day Month Year Day Month Year

Name of organization c/o name or position

Postal address

City

Province **Postal code**

Corporation (T2) number, if any

Business Number (BN), if any

Trust (T3) number, if any

GST/HST account number, if any

Is this the final return to be filed by this organization? If yes, please attach an explanation. Yes 1 No 2

Type of organization (please see the related guide)

Section B – Amounts received during the fiscal period

Amounts received

Memberships, dues, and fees received	100	<input type="text"/>
Federal, provincial, or municipal grants and payments received	101	<input type="text"/>
Interest, taxable dividends, rentals, and royalties received	102	<input type="text"/>
Proceeds of disposition of capital property	103	<input type="text"/>
Gross sales and revenues from organizational activities	104	<input type="text"/>
Gifts	105	<input type="text"/>
Other receipts (please specify):	106	<input type="text"/>
Total receipts (add lines 100 to 106 inclusive)	107	<input type="text"/> <input type="text"/>

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

Assets
 Method used to record assets:

Cash and short-term investments	108	<input type="text"/>
Amounts receivable from members	109	<input type="text"/>
Amounts receivable from all others (not included on line 109)	110	<input type="text"/>
Prepaid expenses	111	<input type="text"/>
Inventory	112	<input type="text"/>
Long-term investments	113	<input type="text"/>
Fixed assets	114	<input type="text"/>
Other assets (please specify)	115	<input type="text"/>
Total assets (add lines 108 to 115 inclusive)	116	<input type="text"/> <input type="text"/>
Liabilities		
Amounts owing to members	117	<input type="text"/>
Amounts owing to all others (please specify)	118	<input type="text"/>
Total liabilities (add lines 117 and 118)	119	<input type="text"/> <input type="text"/>

Line 106 – Other receipts (please specify)

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

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

Assets (lines 108 through 116)

You should record all your organization's assets (other than cash or amounts receivable) based on their cost. If you use another method to record them, please tell us the method you have chosen.

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

Line 108 – Cash and short-term investments

Report the total amount of your 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 on deposit. 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 others 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 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, including work in progress, on hand at the end of the organization's fiscal period. 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 such amounts as 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** is the cost **minus** accumulated depreciation. For all other assets, it is the cost.

Line 115 – Other assets (please 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 (e.g., vehicles), **book value** is the cost **minus** accumulated depreciation. For all other assets, it is 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 (please 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 your 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, personal transportation, and benefits from housing loans.

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

Report the total amount your 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, personal transportation, and benefits from housing loans.

Line 122 – Other payments to members (please describe)

Report the total of any other payments your organization made during the fiscal period to members that were not made in the usual course of employment. **Do not include amounts reported on lines 120 and 121.**

Number of members in the organization

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

Section E – The organization's activities

Briefly describe the activities of your organization. Also, indicate whether your organization carries on activities outside of 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 your organization's books and records.

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 this guide each year. If you have any comments or suggestions which would help us improve the explanations it contains, we would like to hear from you.

Please send your comments to:

Client Services Directorate
Revenue Canada
400 Cumberland Street
Ottawa ON K1A 0L5

Order Form

To preorder the 1998 *Non-Profit Organization (NPO) Information Return* and guide, complete the order form below. You can mail it to your tax services office or tax centre. We will mail you both the guide and return as soon as they are available.



Revenue Canada Revenu Canada

Order Form

Complete the name and address area, and submit this order form to the tax services office.

Income Tax Guide to the Non-Profit Organization (NPO) Information Return – 1998

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Address _____

City _____

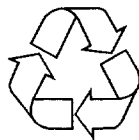
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