

REPORTING TO CANADA REVENUE AGENCY

Non-Profit Requirements for Income Tax, Charitable Donations, GST, and Payroll Deductions

One very important fiduciary duty of non-profit groups and charities is to ensure that the organization is in compliance with all Canada Revenue Agency reporting requirements, and remittance of any payments required.

There are **THREE** major areas of reporting/remitting to consider. Depending on your organization's activities, not all areas will apply to you. It is important to know which areas do apply and be sure to report/remit accordingly:

- 1) YEARLY:
 - Reporting Income for Annual Income Tax Purposes (NPO's only)
 - Reporting Charitable Donations (Registered Charities only)
- 2) QUARTERLY: GST/HST Collection and Payment
- 3) MONTHLY: Employee Payroll Deductions and Remittance

For some activities, a CRA business number (BN) and/or a Charitable Registration Number will be required. Any non-profit or charity that engages in commercial activities or pays employees must have a CRA Business Number (BN). Each type of activity will require registration of a 'sub-ledger account' under the same BN. To determine whether your group requires a BN (and to apply for one), check out this link: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/bro-ide/menu-eng.html>

Charities require a Charitable Registration Number in order to collect/report tax-deductible donations (this is the same 9-digit BN, with a different sub-code designating charitable status, and a different process and requirements for application). Check out this link for more information and to apply: <http://www.cra-arc.gc.ca/tx/chrts/pplyng/menu-eng.html>

Administrative notes:

Immediately provide CRA with notice of changes to Officers or Staff while you have any account with them. Keep copies of all files and reports provided to CRA for a minimum of six years in case of audit.

YEARLY Requirement: Reporting Income for Annual Income Tax Purposes (NPO only)	
Determine NPO status	Check the link below for a CRA information Guide that will provide detailed definitions and guidance.
Determine Reporting Requirement	
Gather the following information for your Return: (Note that you are <u>not</u> required to include financial statements with your Information Return)	Identification – includes Org name and contact info, type of organization, fiscal period and more.
	Amounts received - any revenue such as member fees, grants, interest or royalties.
	Assets and Liabilities - at the end of the fiscal period.
	Remuneration – anything paid to employees or members.
	Activities – description of organization's core activities.
	Location of books and records – contact info and address.
	Certification – Return MUST be signed by a CURRENT officer of the organization.
File Return with CRA	Return is due no later than six months after the end of fiscal year.
File on time	The basic penalty for late filing is \$25 per day. Minimum penalty is \$100 and maximum is \$2,500 for each failure to file.
Explain circumstances of late filing	If the Return is filed late due to extraordinary circumstances, include a letter with your Return explaining the reason, and CRA may waive its penalty.
<p>More detailed information is available in the following CRA Publication: 'Income Tax Guide for NPOs'</p> <p>http://www.cra-arc.gc.ca/E/pub/tg/t4117/t4117-05e.pdf</p>	



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YEARLY Requirement:	
Reporting Charitable Donations Received (Charities Only)	
Determine Charitable Status	Must have a Charitable Registration Number – this will be identical to general BN, with a sub-ledger extension for charitable status.
Prepare the following information for Return	<i>Registered Charity Information Return</i> (Form T3010A (05)) – check guide for general information required.
	<i>Registered Charity Basic Information</i> sheet (Form TF725).
	A copy of the registered charity's financial statements.
	List of directors/trustees (Form T1235- <i>Directors/Trustees Worksheet</i>) with all required information.
	List of qualified donees (Form T1236- <i>Qualified Donees Worksheet</i>) with all the required information (if applicable).
File Return with CRA	Return is due no later than six months after the end of your fiscal period.
File on Time	Filing late or not filing can mean loss of registered status and inability to issue tax receipts for donations. A registered charity whose status is revoked for failure to file is liable for a \$500 penalty.
Reinstating Charitable Status if revoked	Apply for re-registration by submitting a completed Form T2050, Application to Register a Charity Under the Income Tax Act, as well as all the documents and information requested on the form. The charity must also pay a \$500 penalty and file all missing information returns. Re-registration is not guaranteed.
Send all correspondence SEPARATELY	CRA will not accept any correspondence as part of the submission. Make sure all letters and requests are sent separately.
<p>More detailed information is available in the CRA's Charitable Reporting Guide http://www.cra-arc.gc.ca/formspubs/prioryear/t4033a/t4033a-07e.pdf</p>	

QUARTERLY Requirement:	
GST/HST Collection and Payment	
Determine if you need to register for a GST/HST account.	Non-profits are exempt from charging GST/HST on a wide variety of activities, unless they are considered commercial activities.
Determine taxable services.	Determine which activities will be considered commercial as per CRA definitions in the GST/HST reporting guide.
Determine reporting frequency.	You have the option of reporting quarterly, or yearly, depending on how much GST you collect.
Determine what reporting is required and gather information for each report as appropriate.	Regular GST/ITC reporting – calculate all GST charged on taxable commercial items, and all GST paid (Input Tax Credits – ITC's) on supplies related to these commercial items ONLY .
	Public Service Bodies Rebate – all non-profits can apply for this rebate, whether they collect GST or not. It entitles your group to 50% rebate of GST paid for items not allowed to be claimed under regular GST/ITC reporting.
	Printed Book Rebate – all qualifying non-profits can claim 100% of GST/HST paid on printed or audio books or religious scriptures. Claim as part of Public Service Bodies Rebate.
File Report with CRA/Remit payments if required	File report to CRA as per quarterly or yearly requirement. If there is an amount owing, remit payment with your report.
<p>GST/HST Reporting Guide http://www.cra-arc.gc.ca/E/pub/gp/rc4081/</p>	
<p>IMPORTANT NOTE– CRA will hold the directors of ANY corporation – <u>including non-profits</u> - personally liable for payments owing, including penalties and taxes, if not remitting when required.</p>	



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Monthly Requirement: Employee Payroll Deduction and Remittance	
All organizations (for-profit and non-profit) <i>must</i> make payroll deductions and remittances if they pay employees.	
Set Up a Payroll Deductions Account	<p>A CRA Business Number is required (see above). If your organization already has a CRA business number, simply apply for a 'payroll deductions' account under your existing number.</p> <p>Open and maintain a payroll deductions account as a line item in budget and/or separate bank account.</p>
Report Information for New Employees	<p>Determine whether the person hired is an employee or self-employed. This is a crucial step – follow CRA standard to determine. (CRA publication RC4110: Employee or Self Employed)</p> <p>If a mistake is made, Board Directors can be made PERSONALLY liable for required payments. (See note below)</p> <p>Record SIN numbers of all employees.</p> <p>Have each employee complete a federal TD1 form, and territorial TD1 form (if applicable).</p>
Make Monthly Remittance to CRA	<p>Deduct appropriate <u>employee</u> contributions for CCP, EI, and Income Tax from wages.</p> <p>Calculate required <u>employer</u> contributions to CCP and EI (note WCB insurance payments are separate from CRA obligations, but still required to be paid by employer) (payroll deductions calculator at www.cra.gc.ca/pdoc).</p> <p>Remit cheque to Receiver General for total of employee and employer contributions – payment is remitted monthly, before the 15th of the following month.</p>
Provide Tax Information to Employees	Fill out and provide annual T4's to employees by last day of February following taxation year.
Provide Information when Employee leaves	Complete and submit a final Record of Employment to CRA whenever an employee leaves (FORM INS2106 on CRA site).
Maintain appropriate records	Keep all records for six years following the last tax year to which they relate. CRA may ask to review them at any time.
<p>CRA Employer Payroll Guide: http://www.cra-arc.gc.ca/E/pub/tg/t4001/</p> <p>IMPORTANT NOTE– CRA will hold the directors of ANY corporation – <u>including non-profits</u> - personally liable for payments owing, including penalties and taxes, if not remitted when required. Make sure you clearly understand and comply with CRA's definition of an 'Employee'.</p>	

Quick List: Relevant CRA Publications	
What is a Business Number	http://www.cra-arc.gc.ca/E/pub/tg/rc2/
Income Tax Guide for NPO's	http://www.cra-arc.gc.ca/E/pub/tg/t4117/t4117-05e.pdf
Charitable Registration GUIDE	http://www.cra-arc.gc.ca/tx/chrts/pplyng/menu-eng.html
Charitable Reporting GUIDE	http://www.cra-arc.gc.ca/formspubs/prioryear/t4033a/t4033a-07e.pdf
GST/HST Reporting Guide	http://www.cra-arc.gc.ca/E/pub/gp/rc4081/
Employer Payroll Guide	http://www.cra-arc.gc.ca/E/pub/tg/t4001/
Payroll Deductions Calculator	www.cra.gc.ca/pdoc .



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