

## Non-Profit vs. Not for Profit in Canada

One of the common tax deductions Canadians claim is charitable donations. Usually, these are cash donations, but can also be in the form of a gift of stocks or property. The Canadian income tax act defines charities and non-profits differently. It is important to understand how the organization's classification impacts your gift for tax purposes.

### Official Donation Receipts for Donors

The main difference is that a registered charity can issue official receipts for donations for income tax deduction purposes. The receipts allow the charity's individual donors to claim the donations and receive a tax credit for a portion of the donation. These receipts must also include their registration number, which is provided by the CRA when the charity is registered.

Non-profits do not register with the CRA, so they are not able to issue official donation receipts for income tax purposes. Therefore, you cannot receive any the tax credits. Check to make sure a charity is registered by calling the CRA or checking online on the CRA's charities listing.

For income tax purposes, you can only claim charitable donations that have official receipts from registered charities. Any donations that you claim on your personal tax return must be supported by official receipts. Keep your charity donation receipts on hand in case the CRA requests that you send in copies of your receipts to verify your donations.

### The Key Differences Between a Registered Charity and a Non-profit

- Registered charities are often called non-profit organizations. Both non-profits and charities can operate on a not-for-profit basis, but charities and non-profits are defined differently. Charities must be registered and approved by the Canada Revenue Agency, and charities must be established and operate exclusively for charitable purposes. They must spend a minimum amount on their activities each year or as gifts to qualified donees. They also must file an annual T3010 form each year. Charities are exempt from paying income tax, and most supplies are GST/HST-exempt for them.
- Non-profits do not need to operate exclusively for charitable purposes; they can operate for social welfare, civic improvement, pleasure, sport, recreation, or any other purpose except for profit.
- There is no registration process with the CRA, and they do not have minimum spending requirements. Non-profits that are not registered charities may have to file a T2 corporate return (if they are incorporated) and/or an information form T1044.
- Generally, non-profits are exempt from paying income tax, except for a few rules around property income or capital gains. There are few supplies that are HST/GST-exempt for non-profits. Neither charities nor non-profits can use their income to personally benefit their members.
- A charity must apply for charitable registration with the CRA, and be approved, to become exempt from paying income tax and to be able to issue official donation receipts. Just meeting the criteria does not automatically register or allow the non-profit to issue official receipts.