

COCO INFO-SHEET



COCO – The Centre for Community Organizations
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Annual Requirements Checklist for a Non-Profit Organization in Québec

In running a non-profit organization it can be difficult to know what is demanded of you by various regulatory bodies. This info-sheet provides a checklist of the main forms and obligations a non-profit organization in Quebec must complete to maintain their incorporated or charitable status. It should serve as a broad overview upon which you can map your non-profit organization. If you have a bookkeeper they may be handling some of these responsibilities – be sure to consult them in this process.

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http://www.revenu.gouv.qc.ca/fr/sepf/formulaires/co/co-17_sp.aspx

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2 CRA Financial Spending and Record Keeping Standards

Section A - Maintaining Incorporation

The following forms apply to incorporated non-profit organizations that conduct activities in Quebec. Some are mandatory for all, others depend on whether you fulfill the criteria. Basically these are the forms that you are legally required to file in order to ensure that your non-profit is not at risk of having its incorporated status revoked. Remember that any changes to the nature, activities, features or governing documents of your organizations must be reported to Revenue Quebec and / or Industry Canada.

1 – File provincial information and income tax return (CO-17 S.P.)

All incorporated non-profit organizations that conduct activities in Quebec (and do not have charitable status) must file this form each year. This applies to organizations that are incorporated federally or provincially. It must be filed in French (courtesy translations are available on line).

Due within six months after the end of your fiscal year.

What is a Fiscal Year?

The fiscal year is the financial year your organization uses to budget its spending. Fiscal years are not the same from organization to organization. At COCo, many non-profits we work with have fiscal years that are either January 1 - December 31 or April 1 - March 31.

Please contact COCo if you want more information on fiscal years, what informs people's choice about what fiscal years they choose, and whether an organization's fiscal year can be changed.

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Revenu Québec

Form CO-17.SP

Non-Profit Corporations Guide (courtesy English translation)

http://www.revenu.gouv.qc.ca/en/sepf/formulaires/co/co-17_sp.g.aspx

Non-Profit Organizations and Taxation

<http://www.revenuquebec.ca/en/sepf/publications/in/in-305.aspx>

2 – File provincial *Information Return for Tax-Exempt Entities*

Not all incorporated organizations have to file this form. You are obliged to file this form with Revenue Quebec if your organization:

- is entitled to \$10,000 or more in dividends, interests, rentals, or royalties in the fiscal year; or
- owns assets valued at more than \$200,000 at the end of the fiscal year; or
- if you were required to file this form for a previous fiscal period

This form is not applicable if your organization is a charity. It can be submitted with the CP-17 S.P. Provincial tax return.

Due within six months after the end of your fiscal year.

Revenu Québec

Information Return for Tax-Exempt Entities

<http://www.revenu.gouv.qc.ca/documents/en/formulaires/tp/tp-997.1-v%282008-02%29.pdf>

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3 - File federal **T2 Corporation Income Tax Return**

All incorporated non-profit organizations that conduct activities in Quebec (and do not have charitable status) must file this form each year. This applies to organizations that are incorporated federally or provincially. You can fill out the short version if your organization is only established in one province or territory; otherwise, complete the long form.

Due within six months after the end of your fiscal year.

Canada Revenue Agency
T2 Corporation Income Tax Return
<http://www.cra-arc.gc.ca/E/pbg/tf/t2/README.html>

T2 Corporation Income Tax Return – Short Form
<http://www.cra-arc.gc.ca/E/pbg/tf/t2short/README.html>

Corporation Income Tax Guide
<http://www.cra-arc.gc.ca/E/pub/tg/t4012/README.html>

4 - File federal **Non-Profit Organization Information Return (T1044)**

Not all organizations have to file this form. You must file it if your organization:

- is entitled to \$10,000 or more in dividends (payments made on investments), interests, rentals, or royalties (payments for usage of an asset) in the fiscal year; or
- owns assets valued at more than \$200 000 at the end of the fiscal year; or
- you were required to file this form for a previous fiscal period.

This form can be submitted with the T2 federal tax return. You do not need to file this if your organization is a charity.

Due within six months after the end of your fiscal year.

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Canada Revenue Agency

Non-Profit Organization (NPO) Information Return Form (T1044)

<http://www.cra-arc.gc.ca/E/pbg/tf/t1044/README.html>

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

<http://www.cra-arc.gc.ca/E/pub/tg/t4117/README.html>

5 – File provincial **Annual Declaration** form and pay annual registration fee to the **Registration des Entreprises (REQ)**

The REQ now requires that organizations complete this form on-line. To do this you need your NEQ number and a *clicSEQUR* express password. All non-profits registered in Quebec have a NEQ number. You can request a password by completing the following form:

Obtenir un code d'accès clicSEQUR express:

<http://coco-net.org/en/node/4520>

You can then log in to complete the declaration and pay the annual fee. This must be done within three months after the end of your fiscal year. At the time this info-sheet was written, the annual registration fee was \$32.00. No fee required if this is your first year incorporated.

Registration des entreprises

http://www.registreentreprises.gouv.qc.ca/en/services_ligne/entreprises-immatriculees.aspx

6 – File **Annual Summary** with Industry Canada

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Only non-profits that are federally incorporated must file this form. It must be filed within three months after the end of your fiscal year.

The form is available online. There is a \$30 filing fee.

Industry Canada

Annual Summary Form

http://www.ic.gc.ca/eic/site/cd-dgc.nsf/vwani/IC3151_A_revised.pdf/

7 - Pay provincial and federal government remittances and source deductions for employees

This applies to all non-profits in Quebec that have paid staff members (employees). This section is distinct from other items in this info-sheet as this is something that must be done regularly – it is not simply an annual requirement. At first, this must be done on a monthly basis. Depending on the size of your organization, the frequency may later be adjusted.

If an organization is acting as an employer, paying employment remittances and deductions is a very important requirement. Not only is this foundational to establish decent working conditions, but failure to do this opens up the board members' personal responsibility. Meaning, board members can be held personally liable if this is not done correctly. Also, an organization may be fined for late payments.

In Quebec, this is paid to Revenu Québec. For more information see *Guide for Employers: Source Deductions and Contributions 2010*.

At the federal level, see Canada Revenue Agency's *Employer's Guide: Payroll Deductions and Remittances*.

If you need assistance with managing this section, you would want to discuss this with an accountant.

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Revenu Québec

Guide for Employers: Source Deductions and Contributions

<http://www.revenu.gouv.qc.ca/documents/en/formulaires/tp/tp-1015.g-v%282010-01%29.pdf>

Begin with Section 4, “Are you required to make source deductions and pay employer contributions and compensation tax?” (pg. 27-31)

If so, return to Section 3, “Obligations as an employer or payer,” to determine what is required of you as an employer (pg. 14-26)

Canada Revenue Agency

Employer’s Guide: Payroll Deductions and Remittances

<http://www.cra-arc.gc.ca/E/pub/tg/t4001/README.html>

Read pages 6-8 to determine whether this applies to you

Payroll Deductions Online Calculator

<http://www.cra-arc.gc.ca/pdoc/>

Remember, employees are not independent contractors and vice versa:

Employee or Independent Contractors?

<http://www.revenuquebec.ca/en/sepf/publications/in/in-301.aspx>

COCO Info-Sheet: Employer & Employee Rights & Responsibilities

<http://coco-net.org/en/node/338>

Section B – Other Tax Exemptions

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Municipal tax and sales tax exemptions are available to certain non-profit organizations. If you are eligible, you are still responsible to apply in order to benefit from these exemptions.

1 – Municipal tax exemptions

Municipal tax exemptions are administered by the *Commission Municipale du Québec*. Your non-profit organization qualifies if it owns, rents, or occupies a building, and it uses that building for one of the following non-profit purposes:

- creation, exhibition, presentation of art if accessible to the public
- theatre, opera, music, dance
- film and video, including technical aspects
- music recording
- painting, sculpture, printmaking, drawing, illustration, photocopying, textile art, art video, or of a similar nature
- processing of wood, leather, textiles, metals, silicates or any other matter with decorative or expressive purposes
- literature, including novels, stories, short stories, dramatic works, poetry, essays or other written work
- informational or educational activities in art, history, science and sport or other recreational activity, provided the opportunity to enjoy the activity is offered to the entire general public.
- Activities which:
 - ➔ promote and defend the rights or interests of persons who form a group based on age, language, gender, sexual orientation, color, ethnicity, nationality or due to illness or disability
 - ➔ fight against a form of unlawful discrimination
 - ➔ assist people who are socially or economically disadvantaged or otherwise in difficulty
 - ➔ prevent people from becoming distressed

To apply, complete the *Tax Exemption Form* with the required documents. You will receive a confirmation of reception 10 days after applying, there will be a meeting with an administrative

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judge within 60 days of the application (where either a leader from your organization or your lawyer must be present), and a decision will be made no later than 90 days from application's reception.

Commission Municipale du Québec

Tax Exemption Form

http://www.cma.gouv.qc.ca/images_data/430.pdf

2 – Sales tax exemptions

For sales taxes in Quebec, both the GST and the QST are administered by Revenu Québec. The process and precise exemptions vary depending on whether or not your non-profit is a charity.

Revenu Québec

The QST and the GST/HST: How They Apply to Non-Profit Organizations

<http://www.revenuquebec.ca/en/sepf/publications/in/in-229.aspx>

The QST and the GST/HST: How They Apply to Charities

<http://www.revenuquebec.ca/en/sepf/publications/in/in-228.aspx>

Section C – Engaging Our Membership

Aside from the forms that non-profits must file, we also have legal and ethical obligations to ensure certain things happen within our organizations on a yearly basis. Non-profits are

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community owned and should be community lead. Maximizing the opportunities we have for meaningful engagement with our membership is definitely a key way to ensure this.

1 – Hold Annual General Meetings (AGM)

AGMs serve an important role in the democratic life of social movements. Every year they give us the opportunity to gather together to talk about the year's struggles and victories, to get new people involved in the structure of the organization, and to plan priorities for the coming year.

- If you are provincially incorporated, the date of your AGM must be set in your by-laws. AGMs must take place *every* year. You must present your financial statements at the AGM. They must be presented within four months of their creation. Therefore, it is strongly recommended that you hold your AGM no later than four months after the end of the fiscal year.
- If you are federally incorporated, the AGM must be held 18 months after incorporation. Each following AGM must be held no more than 15 months later, or within the time period written in your by-laws.

2 – Election of Board Members at the AGM

There are several things we need to do at our AGM, such as presenting the financial statements, and requesting the members' approval of any changes to the organization's by-laws. It is also at the AGM that the membership elects the board of directors. Not all returning board members must be re-elected, and not all seats on the board need to be open for election. This will depend on your by-laws, which state how many board members your organization can have, how long are their terms, and how many times they can be re-elected.

It is important to note that in Quebec a board member's term can be a maximum of two years. After two years they can run for re-election. They can do this any number of times, *unless* this is limited by the organization's by-laws. Placing a cap on the number of consecutive periods a board member can hold is legally legitimate. Also, this ensures board member rotation and encourages the organization to develop an active membership. It allows new

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people to participate in the structure of the organization, and it ensures that the organization maintains its membership's interest: we not only desire our members' involvement, we *need* it.

3 – Obligations to Funders

It is important to check with your funders, and clarify whether they have any expectations around AGM dates, and any other requirements such as providing an audit or reporting. Our obligations and commitments to our funders may not be to the government, but they are still legal contracts. Make sure you are aware of what you're doing before you bite the hand that feeds you.

COCO Info-sheet

For more details and guidance, see:

Annual General Meetings, Special General Meetings and Non-Profit Organizations

<http://coco-net.org/en/node/1085>

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Section D – Maintaining Charitable Status

This section is for organizations that currently have charitable status. Remember that any changes to the nature, activities, features, or governing documents of your charity must be reported to the Canada Revenue Agency outside of these annual requirements.

For more on gaining charitable status see:
COCO Info-Sheet - Applying for Charitable Status
<http://coco-net.org/en/node/342>

1 – The following items must be completed and filed with Canada Revenue Agency no later than six months after the end of your charity's fiscal period.

They are filed as part of your annual information return.

Registered Charity Information Return (T3010B)

NOTE: The 2010 federal budget changed how this form is completed.

Return, with corrections, the Registered Charity Basic Information sheet

Directors / Trustees and Like Officials Worksheet (T1235)

Qualified Donees Worksheet / Amounts Provided to Other Organizations (T1236)

Copy of Financial Statements

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Canada Revenue Agency

Charities Directorate Contact

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/cntct/cntct-eng.html>

Registered Charity Information Return T3010B

Guide to Completing the Registered Charity Information Return T4033-1

<http://www.cra-arc.gc.ca/E/tg/t4033-1/README.html>

Directors / Trustees and Like Officials Worksheet T1235

<http://www.cra-arc.gc.ca/E/pbg/tf/t1235/t1235-09e.pdf>

Qualified Donees Worksheet / Amounts Provided to Other Organizations T1236

<http://www.cra-arc.gc.ca/E/pbg/tf/README.html>

Financial Statements and Sample

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtnng/rtrn/fnnci-eng.html>

2 – The Canada Revenue Agency has financial spending and record keeping standards that must be fulfilled to maintain your charitable status.

Meet your annual spending requirement (disbursement quota)

- After receiving your annual information return, the Canada Revenue Agency will send you a *Registered Charity Information Return Summary*, containing an estimate of your annual spending requirement for the coming year.
- The amount is calculated by a specific formula, This formula *does not* include any shortfalls or excesses from previous years. These must be added/subtracted after the calculation is made.

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- If need be, you can request either a quota reduction or to be allowed to accumulate funds through a formal application process.
- **NOTE:** The 2010 federal budget reformed how a disbursement quota is calculated.

Canada Revenue Agency

Disbursement Quota Formula

<http://.cra-arc.gc.ca/chrts-gvng/chrts/chcklsts/dqb-eng.html>

Request Disbursement Quota Reduction

<http://www.-arc.gc.ca/chrts-gvng/chrts/prtng/rqsts/qt-eng.html>

Request Permission to Accumulate Property (Funds)

<http://www.cra-.gc.ca/chrts-gvng/chrts/prtng/rqsts/ccmlt-eng.html>

For more details on recent changes to the disbursement quota:

Charities: Disbursement quota reform (FAQ)

<http://.cra-.gc.ca/gncy/bdgt/2010/chrt-eng.html>

COCo Note: Important recent changes in non-profit and charity law

Keep sufficient records!

For more information on what documents you should be keeping, see:

Canada Revenue Agency

Adequate books and records checklist

<http://www.cra-arc..ca/chrts-gvng/chrts/chcklsts/bks-eng.html>

Issue complete receipts!

Only for gifts of cash or in kind. Not for donations of services or contributions from other organizations. *Always* issue receipts in the name of the donor.

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http://www.revenu.gouv.qc.ca/fr/sepf/formulaires/co/co-17_sp.aspx

COCO INFO-SHEET



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info@coco-net.org | www.coco-net.org

Canada Revenue Agency

Checklist for issuing complete and accurate donation receipts
<http://www.cra-arc.gc.ca/chrts-gvng/chrts/chcklsts/rcpts-eng.html>

Canadian Charity Law Checklist by Mark Blumberg

This checklist lists the important questions charities must ask themselves as well as links to the relevant resources
<http://coco-net.org/en/node/4624>

Charitable Organizations: Limitations on Political Activities

The Canada Revenue Agency has restrictions and prohibitions regarding political and partisan activities. Varying with size, an organization may spend no more than 10% to 20% of their resources on non-partisan political activities per year (“the 10% rule”) which is reported to the government in the annual *Registered Charity Information Return* (part of the annual information return listed above).

For more, *Charitable Organizations: Limitations on Political Activities*:
<http://coco-net.org/en/node/340>

If you are considering incorporation, see:

Key Questions to Think About Before Incorporating a Non-Profit Organization
<http://coco-net.org/en/node/595>

Incorporation of a Non-Profit Organization in Quebec
<http://coco-net.org/en/node/339>

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