

# NAVAL ASSOCIATION OF CANADA

## INSTRUCTIONS FOR BRANCH TREASURERS

*Amended 2022*

### *General*

These notes are intended to assist Branch Treasurers in providing good service to their branches. Originally this document was originally granted approval at the National Board of Directors' meeting on May 29, 2009, and constitutes NAC policy and form part of the Guidance Manual. Three amendments were made to this document in 2015, 2016 and 2022, to reflect the transition of the NOAC to NAC, a change in the NAC fiscal year along with updates to mailing addresses and the addition of a standardized template(s) for recording income tax receipts issued. Should any discrepancies be found or if you would like to see other topics covered, please contact the NAC National Executive Director or NAC Coordinator.

With the implementation of the Canada Not-for-Profit Corporations Act (CNFPCA) in 2014, NAC became subject to that legislation. While specific compliance with CNFPCA is largely the responsibility of the National Secretary and the National Treasurer, Branch Treasurers should be aware of the following provisions, act accordingly in managing branch finances, and understand that some action may be required of them as part of NAC compliance requirements:

- Directors may require members to pay annual dues (s.30);
- Financial statements must be presented at the annual general meeting (2.172). These must include:
  - Comparative data for the year just completed and the previous year;
  - Report from the accountant (if applicable; and,
  - Other information as appropriate;
- The corporation (i.e. NAC) must keep at its office a copy of the financial statements of each subsidiary and of each entity which is incorporated in the financial statements (s.174). *In the case of NAC, this means that there is now a statutory requirement for each branch to provide the National Treasurer with a copy of the branch's financial statements, as approved by the branch directors and accepted at the branch AGM;*
- The financial statements must be approved by the directors (s.178). The statements may not be circulated until they have this approval and must be accompanied by the accountant's report. *Not all branches (particularly smaller ones) will have an accountant's review – however, if they do or if they have an individual review the*

*statements, any comments from that review must accompany the statements when they are circulated.*

The Naval Association of Canada is registered through the Canada Revenue Agency as a charity (registration number 11924 6551 RR0001). This allows us to issue receipts for tax purposes but it also imposes on us a duty to ensure that we scrupulously abide by CRA's requirements. In the event that we are determined to be in violation of those rules, we could become subject to penalties which could include forfeiture of our charitable status.

Specifically, NAC is classified as a 'charitable organization' under the Income Tax Act. To maintain this status, the Act requires that NAC must:

- devote its resources (funds, personnel, and property) to its charitable purposes and activities;
- file its annual Form T3010, *Registered Charity Information Return*, within six months of its fiscal period-end;
- meet its annual spending requirement;
- keep adequate books and records, and make them available for review by the Canada Revenue Agency on request;
- make sure that official donation receipts are complete and accurate when issued;
- control and direct the use of all its resources (funds, personnel, and property); and
- maintain its status as a legal entity.

*(Extracted from CRA publication website- <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/applying-registration/registration-right-you/obligations-registration.html> 2022)*

As all branches have been delegated the right to issue official donation receipts, they are also subject to these requirements. In the case of the Registered Charity Information Return, the national organization has the immediate responsibility but needs financial information from branches to properly meet the requirements.

CRA has the authority to audit the financial records of all registered charities to ensure that the requirements of the Income Tax Act are being observed, and in the event of non-compliance has the right to impose certain penalties (up to cancellation of registered charity status). In the NAC context, that would allow them to review the books of any branch. However, if we all follow the rules we have nothing to worry about.

Some branches have themselves gone through the process to become registered charities. Such branches:

- should advise the National Treasurer of their status, and provide their charitable registration number; and,

- should issue receipts under their own charitable number and make all required reports and returns as required by CRA;
- treat remittances of national dues as ‘gifts to qualified donees’; and,
- must not issue receipts under the NAC charitable number.

## **Fiscal Year**

NAC’s fiscal year runs from **January 1 to December 31**. Branches are requested to use the same fiscal year.

## **Accounting Records**

Branches are free to use the accounting system of their choice, although it is suggested that one of the readily-available electronic accounting packages should be used, **(Quick Books or SAGE 50 Pro are recommended)**. Because of the association’s charitable status, original financial records must be kept for the present year and six prior years and must be available for inspection by CRA should they request it.

A sample chart of accounts (COA) may be found at the end of this document (Appendix A). It is emphasized that this is a sample only and is not intended to meet the needs of all branches – it is intended only as a guide to the sort of information which is necessary to properly meet CRA requirements.

Financial statements should be prepared (at an absolute minimum) at the end of each fiscal year (a sample of how financial statements prepared from the chart of accounts might appear may be found at Appendix B). For small branches or those with minimal accounting expertise, the simplified version found at Appendix C may be more appropriate.

Prior to presentation to the branch annual general meeting for approval, the financial statements should be reviewed (and signed off) by an independent person. It is also normal practice that the statements (once the review is complete) be signed off by two members of the branch executive (normally the president and one other – usually the treasurer) to demonstrate that the executive accept the reviewer’s report and accept the statements. **To permit accurate and comprehensive reporting to CRA and to meet Industry Canada requirements, branches are required to provide a copy of these statements to the National Treasurer no later than 15 May for the fiscal year ended on 31 December of the preceding year .** (Example: for FY ending 31 December 2021, the branch fiscal report is due to the National Treasurer no-later-than 15 May 2022.)

## *Audits and Reviews*

Annual branch financial statements should be reviewed and certified by an independent person prior to presentation to the branch AGM for approval. In most cases, a formal audit by an accounting firm should not be necessary (this can be a very time-consuming and expensive process). A review should preferably be done by somebody who has a suitable financial background and should include the following:

- review assets and liabilities (as at the date of the financial statements) to ensure that they are properly recorded. In the case of bank accounts, this should include a review of bank statements to ensure that proper reconciliations have been done and that outstanding items are current;
- review the income statement to check that financial transactions throughout the year appear to have been properly recorded. This may include some spot-checking of significant transactions – a detail check of every transaction should not be necessary; and,
- check minutes of directors’ meetings to ensure that material deviations from the approved budget have received proper approval from the directors.

The reviewer is acting on behalf of the branch – not the treasurer. Should discrepancies be found for which an adequate explanation cannot be obtained, the reviewer should so advise the Branch President and consider wording his/her report to reflect this.

On completion of the review, the financial statements must be presented (with the reviewer’s comments) to the branch directors for their approval. The statements may not be circulated until the directors have approved them – they may then be circulated but must be accompanied by the reviewer’s comments and any other appropriate supporting information. In particular, they should be circulated to the branch membership in sufficient time to permit proper perusal and consideration before the AGM.

### *Annual General Meeting*

**Each branch should host its own AGM.** At the AGM, the treasurer is normally responsible for two aspects:

- presentation of the annual financial statements, including sufficient explanation and passage of a motion to accept the statements as presented; and,
- presentation of the operating budget for the new fiscal year, again with a motion to approve (although in some organizations this is done at a regular Board of Directors meeting).

Separately, the board will appoint a qualified person to review the financial statements prior to the next AGM.

### *National Dues*

At the Directors’ Meeting on May 31, 2009, national dues were set (commencing with the 2010/11 membership year) at \$40.00 for regular members and \$25.00 for serving officers. The NAC membership year is the same as the fiscal year (i.e. **January 1 to December 31**).

Article 3.01 of the NAC bylaws provides that the branch will provide each member with written notice of dues payable. If those dues are not paid within six months of the start of the NAC

membership year (i.e. by June 30), the member concerned automatically ceases to be a members of NAC.

Branches are required to remit national dues as received, with remittances being submitted no less than quarterly. The Membership and Fee Submission Report (Appendix D to this document) should be used for this purpose. If fees are being submitted for multiple membership years, a separate report should be used for each membership year.

Treasurers may find that it is most practical to remit the majority of dues in quarterly installments as follows: 31 March; 30 June; and 30 September.

Branches are free to set local dues (over and above the national dues) as appropriate to their own circumstances. In cases where branches have awarded life memberships, the branches are responsible for payment of national dues for such members. In the very few cases where members have been awarded national life memberships (approved by the national Board of Directors), national dues do not apply.

In the case of Branches utilizing the Wild Apricot payment processing system, National will receive the member's dues and will retain the National portion of dues and return to the Branch the Branches portion. Transfers of funds to the Branches will be not less frequently than quarterly.

In the case of members paying their dues by cheque, cheques should be sent to the National Executive Director or Treasurer, who will ensure that the Wild Apricot Membership Data Base is updated. Where Branches elect to retain and deposit membership dues at the local level, the Branch is required to remit the National portion of the dues and to ensure that the Wild Apricot Membership Data base is updated.

## **Issuance of Receipts**

As a registered charity, NAC is permitted to issue receipts for income tax purposes. For purposes of convenience, the authority to sign these receipts may be delegated to branch treasurers.

The right to issue charitable receipts carries with it the responsibility to follow the rules which Canada Revenue Agency (CRA) has established – details may be found at:

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts/what-you-need-know-issue-official-donation-receipt.html>

Branches should note in particular that, if the donor receives a benefit (such as a luncheon), the receipt should only be for the amount in excess of the value of the benefit. Accuracy and completeness of receipts is important, as CRA has the authority to levy heavy penalties where misrepresentation is found.

**Branches which issue receipts under the NAC charitable number are required to meet certain reporting requirements, which are specified later in this section. Branches which fail to meet these requirements may have the right to issue receipts withdrawn.**

NAC has developed a receipt format that meets the CRA requirements. This is based on a Word document which is printed from data in an Excel spreadsheet using mail/merge. In addition, an Excel-based receipt has been developed which allows easy preparation of ‘one-off’ receipts. Templates and instructions will be provided to all treasurers, and are included as Appendix E. Suggestions for improvement are always welcome and may be submitted to the National Treasurer.

Branches are expected to observe the following guidelines when issuing receipts:

- Branches should use the NAC design and process. They are, however, free to develop their own process if it better meets their needs, but are responsible for meeting all CRA specifications for the design and issue of these receipts;
- A distinctive numbering system must be used for each branch. It is suggested that the following (AAYY-NNNN) numbering pattern be used where:

AA = two letter alpha designator to identify the branch;

YY = tax year for which the receipt is issued (i.e. 22 = 2022); followed by a hyphen - and,

NNNN = receipt number – start at 0001 each year

**Branch two letter alpha designators:**

National NA	Newfoundland & Labrador NL
Nova Scotia NS	Ottawa OA
Toronto TO	London LN
Winnipeg WP	Edmonton ED
Calgary CA	BC Mainland BC
Vancouver Island VI	

Examples: NS22-0001      VI22-0001      ED22-0001

- A copy of each receipt issued must be retained by the branch treasurer. This may be a paper copy or an electronic copy, with the proviso (in the case of the latter) that:
  - ✓ The computer files are secure (i.e. password-protected);

- ✓ The data is stored on non-erasable media (such as CD-ROM or printout); with backup copy off-site; and,
- ✓ Hard copies of issued receipts can be printed upon request
- Receipts (for the calendar year just completed) must be prepared and delivered to donors no later than the last day of February each year, so that donors may have them in time for preparation of their tax returns; and,
- A listing must be provided to the National Treasurer by **March 31** each year. This must include the following information for each receipt issued during the full year which ended the previous December 31:
  - ✓ Receipt number
  - ✓ Donor's full name and address
  - ✓ Amount received.

It is suggested that this information be in spreadsheet format. See Appendix E

Summary data (number of receipts issued and total amount received) must be included.

To meet the requirements of the Income Tax Act, branch treasurers must retain copies of receipts (as discussed above) for two years from the end of the calendar year in which donations were made. To allow donors to claim received amounts on their personal tax returns, branches should ensure that receipts are issued no later than February 28 of the year following that in which the donation was made.

In cases where branches accept funds for transmission to other organizations (such as Navy League of Canada), the funds should be forwarded (in a timely manner) to those organizations. Branch treasurers may use either of two approaches:

- a) NAC Branch issue receipt – under this alternative, the branch issues a receipt which includes the amount designated for the other organization. If this approach is used:
  - The branch must account for the funds (when received) as revenue;
  - The designated funds must periodically be disbursed (as expense) to the designated organization. A covering letter must specifically state that receipts have been/are being issued by the NAC branch;
  - The work of the designated organization must be consistent with the NAC mission; and,
  - If the designated organization is a registered charity, the branch must advise the National Treasurer of the amount transferred to the charity, and the name and

charitable registration number for the charity. This should be done at the same time as the branch reports receipt information to the National Treasurer (in March).

- b) Funds forwarded un-receipted - the NAC branch holds the funds as a liability and periodically forwards them, under a suitable covering letter which will permit the designated organization to issue the appropriate receipts directly to donors. In such cases:
- branches should not issue receipts for the funds concerned; and,
  - the funds should be promptly forwarded so that the receiving organization can itself meet the CRA requirements for issuing timely receipts. The covering letter should specifically state that the NAC branch is not issuing receipts.

In most cases, it is probably better for the branch to use the first of the two approaches (i.e. branch issues receipts). This recognizes the fact that many organizations (including many NLOC branches) do not have the capability to readily issue tax receipts, and thus ensures that NAC members who make such donations get the proper receipts.

Branches may also receive donations for the NAC Endowment Fund. These should normally be receipted by the branch and the funds forwarded (with a listing showing the donors' names and the amount donated by each) to the treasurer of the NAC Endowment Fund at the following address:

**NAC Endowment Fund  
PO Box 42025 Oak Bay  
2200 Oak Bay Avenue  
Victoria, BC V8R 6T4**

Cheques, made payable to the NAC Endowment Fund), or those for large donations may be forwarded directly to the EF treasurer.

Please note that members and donors are encouraged to make donations to the NAC Endowment Fund directly, by visiting their donation site at <https://www.canadahelps.org/en/charities/Naval-Association-of-Canada-Endowment-Fund/?mprompt=1>

Note: for more information on the types of donations that can be made to the NAC Endowment Fund, please see the following link:

<https://www.navalassoc.ca/nac/nac-endowment-fund/building-the-fund/>

## **Harmonized Sales Tax/ Goods and Service Tax**

As a registered charity, NAC is entitled to claim a rebate of a portion of the HST/GST cost incurred on certain expenses. Branches are eligible to participate in this under certain conditions (which are laid out in RC 4034 – available on the CRA website). In particular, branches wishing to participate must:

- Operate on the same fiscal year (currently January 1 to December 31) as the national organization; and,
- Maintain suitable financial records so that CRA may review them should they so desire.

Branches who wish to file their own separate rebate claims may do so but must first submit an application (on form GST10) through the National Treasurer.

Branches which wish to claim a rebate through the National Treasurer should note that, when submitting the claim, it is now necessary to break out the federal and provincial components. Detailed discussion of this topic may be found at Appendix F to this document.

Branches which are registered charities in their own right should submit an application for the HST/GST rebate under their own HST/GST number.

### *Retention of Records*

Canada Revenue Agency requires that charities retain records as follows:

Minutes of Meetings – as long as the charity is registered and for two years thereafter;

Governing Documents and Bylaws - as long as the charity is registered and for two years thereafter;

Financial statements, books of original entry and source documents – current year and six prior years;

Copies of original donation receipts – two years from the end of the year in which the donation was received; and,

Records of ten-year gifts - as long as the charity is registered and for two years thereafter.

These rules apply to both paper and electronic records, with the following provisos:

- Scanned images of paper documents, records, or books of account that are maintained in electronic format are acceptable if proper imaging practices are followed and documented; and,
- Books and records that are created and maintained in electronic format must be kept in an electronically readable format, even if the charity has paper printouts of the electronic records.

As branches fall within the NAC charitable status, they are subject to these requirements.

*For assistance or if you have any suggestions or question on the foregoing please contact the NAC Executive Director or the NAC Coordinator at:  
**executivedirector-nac@outlook or, [nacordinator@outlook.com](mailto:nacordinator@outlook.com)***

## Appendix A - Sample Chart of Accounts (COA)

Sample only. This COA is not intended to meet the needs of all branches.

### *Assets*

Cash

Accounts Receivable

Due from National

GST Recoverable

Investments

### *Liabilities and Equity*

#### *Liabilities*

Accounts Payable

Donations (non-receipted) to be transferred to other organizations:

    NAC Endowment

    Navy League

    etc

Due to National

Other Liabilities

This type of donation should not be treated as revenue. It should be forwarded to the specified recipient, who will then issue a receipt to the donor.

#### *Equity*

Members equity, start of year

Current Surplus/(Deficit)

    Members equity, end of year

### *Revenues*

Receipted Donations:

Membership Dues

Receipted funds for transfer to designated organizations

Gifts of enduring property

Other donations

Social Functions:

Revenue

Expense

Dividends & Interest

Miscellaneous Revenue

*Disbursements*

National Assessment

Receipted funds transferred to designated organizations

Office Expenses

Stationery

Postage

Branch Newsletter

Awards and Donations

Travel

Miscellaneous Expense

**Appendix B - Sample Financial Statements**

**Naval Association of Canada - XX Branch**

**Sample Financial Statements**

**Balance Sheet**

*Assets*

Cash	0
Accounts Receivable	0
Due from National	0
GST Recoverable	0
Investments	<u>0</u>
Total Assets	<u>0 (A)</u>

Sample only. This template is not intended to meet the needs of all branches.

*Liabilities and Equity*

*Liabilities*

Accounts Payable	0
Donations to be transferred to other organizations:	
NAC Endowment	0
Navy League	0
etc	<u>0</u> 0
Due to National	0
Other Liabilities	<u>0</u>
Total Liabilities	<u>0 (B)</u>

Total assets (A) must be equal to Total Liabilities and Equity (D)

*Equity*

Members equity, start of year	0
Current Surplus/(Deficit)	<u>0</u> (G)
Members equity, end of year	0 (C)

	—
Total Liabilities and Equity	<u>0</u> (D)

**Statement of Operations**

***Revenues***

Received Donations:

Membership Dues	0
Gifts of enduring property	0
Other donations	<u>0</u> 0

Social Functions:

Revenue	0
(Less) Expense	<u>0</u> 0

Dividends & Interest 0

Miscellaneous Revenue 0

Total Revenue 0 (E)

***Disbursements***

National Assessment 0

Office Expenses 0

Stationery 0

Postage 0

Branch Newsletter 0

Awards and Donations 0

Travel 0

Miscellaneous Expense 0

Total Expenses 0 (F)

*Net Surplus/(Deficit)*

—  
0 (G = E - F)

**Appendix C - Sample Financial Statements (Simplified)**

**Statement of Receipts and Disbursements**

**For the Period April 1, 20X1 - March 31, 20X2**

***Cash in Bank, April 1, 20X1***

Bank Account 1	0	
Bank Account 2	<u>0</u>	0 (L)

***Revenues***

Received Donations:

Membership Dues	0	
Gifts of enduring property	0	
Other donations	<u>0</u>	0

Social Functions:

Revenue	0	
(Less) Expense	<u>0</u>	0
Dividends & Interest	0	
Miscellaneous Revenue	<u>0</u>	
Total Revenue	<u>0</u>	(M)

***Disbursements***

National Assessment	0	
Office Expenses	0	
Stationery	0	
Postage	0	
Branch Newsletter	0	

Awards and Donations	0	
Travel	0	
Miscellaneous Expense	<u>0</u>	
Total Expenses	<u>0</u>	(N)
	<hr/>	
<b>Net Surplus/(Deficit)</b>	0	(P = M - N)

**Cash in Bank, March 31, 20XX**

Bank Account 1	0	
Bank Account 2	<u>0</u>	<u>0</u> (Q = L + P)

**Reviewer's Report**

*I have reviewed these statements, with due reference to the supporting financial documentation, and find them to be accurate.*

\_\_\_\_\_ Reviewer

**Statements Approved By:**

(Statements, as reviewed, should be approved and signed by two members of the Branch executive)

**Appendix D - Membership and Fee Submission Report**

Naval Association of Canada

Membership and Fee Submission Report as at \_\_\_\_\_

Branch \_\_\_\_\_

Membership Year \_\_\_\_\_

	Regular Members	Serving Members	Introductory (information only)
Paid memberships (A)			
Previously reported (B)			
This report (C = A – B)			
National dues (per members)	\$40	\$25	
Amount due			Total due \$_____

Total sum remitted \$\_\_\_\_\_

Please list names and addresses of members included in section C:

Comments:

Please note:

- The original of this report should be submitted (with payment) to the National Treasurer and a copy to the National Secretary
- The national membership year is the same as the national fiscal year and runs from January 1 until December 31.

Appendix E

Issuance of Receipts; Tax Receipt Template **NB This section is repeated w the example below**

- **A distinctive numbering system must be used for each branch. It is suggested that the following (AAYY-NNNN) numbering pattern be used where:**

**AA = two letter alpha designator to identify the branch;**

**YY = tax year for which the receipt is issued (i.e. 22 = 2022); followed by a hyphen - and,**

**NNNN = receipt number – start at 0001 each year**

**Branch two letter alpha designators:**

<b>National NA</b>	<b>Newfoundland &amp; Labrador NL</b>
<b>Nova Scotia NS</b>	<b>Ottawa OA</b>
<b>Toronto TO</b>	<b>London LN</b>
<b>Winnipeg WP</b>	<b>Edmonton ED</b>
<b>Calgary CA</b>	<b>BC Mainland BC</b>
<b>Vancouver Island VI</b>	

**Examples: NS22-0001      VI22-0001      ED22-0001**



**The Naval Association of Canada**  
**L'Association des Officiers de Marine du Canada**

National Treasurer: 3873 West 18th Avenue, Vancouver, BC V6S 1B4

**OFFICIAL RECEIPT FOR INCOME TAX PURPOSES FOR THE YEAR 2022**

Charitable Registration Number 11924 6551 RR0001

Receipt No. BR22-000X

Received from:

Issued at

Name:

Date: 31 December 2022

Address:

Amount received:

ADD SIGNATURE

Issued by: ADD NAME

Canada Revenue Agency - [www.cra-arc.gc.ca/charities](http://www.cra-arc.gc.ca/charities)

Treasurer, X Branch

Copy 1 - attach this part to your income tax return

**Naval Association of Canada**



**The Naval Association of Canada**  
**L'Association des Officiers de Marine du Canada**

National Treasurer: 3873 West 18th Avenue, Vancouver, BC V6S 1B4

**OFFICIAL RECEIPT FOR INCOME TAX PURPOSES FOR THE YEAR 2022**

Charitable Registration Number 11924 6551 RR0001

Receipt No. BR22-000X

Received from:

Issued at

Name: 0

Date: 31 December 2022

Address:

Amount received:

ADD SIGNATURE

Issued by: ADD NAME

Canada Revenue Agency - [www.cra-arc.gc.ca/charities](http://www.cra-arc.gc.ca/charities)

Treasurer, X Branch

Copy 2 - keep this part for your records

**Naval Association of Canada**

Example of Tax Receipt List for Branches for Year 20XX								
Last Name	First Name or Initials	Address	City	Prov	Postal Code	Email (if applicable)	Amount	Receipt #
Anderson	W	111 Navy Way	Vancouver	BC	V2V 2V2		\$ 100.00	VI22-0001
Soule	David	12 Ocean Private	Ottawa	ON	K1K 1K1		\$ 50.00	OA22-0001
A distinctive numbering system must be used for each branch. It is suggested that the following (AAYY-NNNN) numbering pattern be used where:								
AA = two letter alpha designator to identify the branch;								
YY = tax year for which the receipt is issued (i.e. 22 = 2022); followed by a hyphen - and,								
NNNN = receipt number – start at 0001 each year								
Branch two letter alpha designators:								
National NA		Newfoundland & Labrador NL						
Nova Scotia NS		Ottawa OA						
Toronto TO		London LN						
Winnipeg WP		Edmonton ED						
Calgary CA		BC Mainland BC						
Vancouver Island VI								
Examples:								
NS22-0001								
VI22-0001								
ED22-0001								

## Appendix F = GST/HST Considerations

### **Discussion**

Registration for GST/HST – NAC and all its branches fall within the definition of ‘small supplier’ by virtue of having revenue of taxable supplies (defined as ‘a supply made in the course of a commercial activity’) of under \$50,000 per quarter and/or gross revenues under \$250,000 . CRA particularly notes that membership dues of the nature which NAC assesses would not be classified as taxable supplies.

It therefore is apparent that neither NAC or its branches need to register for GST/HST or collect the tax on dues.

GST/HST rebate – for the national organization, and potentially for such branches as claim for the GST/HST rebate, claiming the rebate has become a complex issue. Prior to July 1/10, the claim was simply for 50% of the GST paid. With the introduction of HST, the following rules are applicable:

- ✓ The federal portion of the tax remains 5%, and 50% of that may be claimed (as before);

- ✓ The provincial portion of the tax varies from province to province, as does the portion of that tax which may be claimed as a rebate;
- ✓ NAC (or a branch) must claim recovery from provinces to which it has paid the provincial portion and in which it is deemed resident (i.e. has a permanent establishment), at the rates applicable to those provinces, using a special form designed for that purpose;
- ✓ A rebate claim may be filed up to four years from the last day of the period in which an expense was incurred; and,
- ✓ NAC National may claim on behalf of branches. Branches wishing to file on their own behalf may do so, but only after submitting a form GST10 through NAC National to CRA and being duly approved by CRA.

Details of how much may be recovered, and how that recovery is done, are included in CRA guide RC4034 (entitled GST/HST Public Service Bodies Rebate). The recovery is initially claimed on form GST66 (which covers the federal portion) and form RC7066 SCH (which addresses the amounts claimable from provincial governments) – the two forms are sent in together to CRA . After the initial claim, CRA will send personalized forms GST284 and GST284 SCH, which are essentially the same as GST66 and RC7066 SCH other than the personalization.

In order to claim the rebate, it is necessary to use rebate factors to accurately track the recoverable amounts claimable from each province and from the federal government. The rebate factors which are convenient for NAC use are:

*Federal* – rebate factor for GST (when charged) or for federal portion of HST – 50%

*Provincial* – rebate factor for the provincial part of HST:

Nova Scotia – 50% (also applicable to NB and NL, should any taxes be incurred in those provinces)

Ontario – 82%

Given the above rebate factors, the total amount recoverable from each province could be calculated as follows:

	BC (until Mar 31/13)	Ontario	Nova Scotia	
			Before July 1/10	On or after July 1/10
HST rate	12%	13%	13%	15%
Federal recovery:				
Calculation	HST X 5/12 X 50%	HST X 5/13 X 50%	HST X 5/13 X 50%	HST X 5/15 X 50%
% of HST (A)	20.833%	19.231%	19.231%	16.667%
Provincial recovery:				
Calculation	HST X 7/12 X 57%	HST X 8/13 X 82%	HST X 8/13 X 50%	HST X 10/15 X 50%
% of HST (B)	33.25%	50.462%	30.769%	33.333%
Total recovery of HST (A+B = C)	54.083%	69.693%	50.00%	50.00%
Distribution of recovery on claim:				
Federal	38.52%	27.59%	38.46%	33.33%
Provincial	61.48%	72.41%	61.54%	66.67%

Use of the data in the table would be as follows (using Ontario as an example). Note that this should only be used where HST has been paid at the rates shown. If only GST has been charged (or a provincial rebate applied at the point of sale which has the same effect), the only rebate claimable would be 50% of the GST – at the time of incurring the expenditure, 50% of the GST paid would be charged to a GST Recoverable account (as before). Where HST has been paid:

- ✓ At the time of incurring the expense, 69.693% of the HST paid would be charged to a HST Recoverable (Ont) account (with the remainder of the HST on that expense being treated as part of the expense);
- ✓ As the year progressed, other transactions would be treated in a similar manner. Thus the HST Recoverable (Ont) account would accumulate the recoverable portion of HST paid in Ontario during the year;
- ✓ At yearend, when preparing the rebate claim, 27.59% of the balance in the HST Recoverable (Ont) account would be claimed as a recovery of the federal portion and 72.41% as a recovery of the Ontario provincial portion.

Similar treatment would be accorded HST paid to Nova Scotia and using recoverable accounts for those provinces, using the factors calculated for those provinces. Any amount not applicable to those provinces would (per discussion with CRA) be included with the claim for Ontario. Note that the federal recovery claimed on the return would be the sum of the federal portions for each province plus the recoverable portion of GST paid.

In discussion with CRA Charities (1-800-959-8287), it became apparent that NAC certainly meets the criteria for residency in Ontario and British Columbia, and would also meet criteria for residency in any province in which there is an NAC branch (by virtue of having a 'permanent establishment' there). NAC could, therefore, submit a rebate claim for any province in which it could establish residency. The issue then becomes the extent to which it is reasonable to track taxes incurred in various provinces.

Having given some considerable thought to this, and bearing in mind that the rebate is higher in Ontario (where we incur a substantial portion of our expenses), I propose to recover on behalf of NAC National only from Ontario. For branches in other provinces, I would be prepared to incorporate recovery for them through the province in which they are resident.

### ***Accounts Required***

GST Recoverable – use only when 5% GST has been paid rather than HST – 50% of GST debited to this account

HST Recoverable (BC) – use when 12% HST paid to BC - 54.083% of HST debited to this account

HST Recoverable (Ont) – use when 13% HST paid to Ontario – 69.693% of HST debited to this account

...etc for NS and any other

GST/HST Recoverable from CRA – used when preparing rebate claim to track claims outstanding from CRA. Offsetting credits would be to various GST/HST Recoverable accounts (i.e. to reflect amounts included in claim) and the recovery, when received, would be credited to this account (following which the account should have a zero balance)

### ***Useful References*** (available on CRA website)

RC4082 – GST/HST Information for Charities

RC4034 – GST/HST Public Service Bodies Rebate