

Registered Charity vs. Non-Profit Organization

Registered charities are often referred to as non-profit organizations (NPOs). However, while both types of organizations operate on a non-profit basis, the two types are defined differently under the *Income Tax Act*.

Topics	Registered Charity	NPO
Purposes	Must be established and operate exclusively for charitable purposes <ul style="list-style-type: none"> • relief of poverty • advancement of education • advancement of religion • purposes beneficial to the community 	<ul style="list-style-type: none"> • Can operate for social welfare, civic improvement, pleasure, sport, recreation, or any other purpose except profit. • Cannot operate exclusively for charitable purposes.
Registration	Must apply to the Canada Revenue Agency (CRA) and be approved for registration as a charity.	No registration process for income tax purposes.
Charitable Registration Number	Is issued a charitable registration number upon approval by the CRA	Is not issued a charitable registration number.
Tax Receipts	Can issue official donation receipts for income tax purposes.	Cannot issue official donation receipts for income tax purposes.
Spending Requirement (Disbursement Quota)	Must spend a minimum amount on its own charitable activities or as gifts to qualified donees.	Not applicable
Designation	Is designated by the CRA as a charitable organization, a public foundation or a private foundation.	Does not receive a designation.
Returns	Must file annual information return (Form T3010) within six months of its fiscal period end.	May have to file a T2 return (if incorporated), and/or an information return (Form T1044) within six months of its fiscal period end.
Personal Benefits to Members	Cannot use its income to personally benefit its members.	Cannot use its income to personally benefit its members.
Tax Exempt Status	Is exempt from paying income tax.	<ul style="list-style-type: none"> • Is generally exempt from paying income tax. • May be taxable on property income or on capital gains.

Adapted from CRA website: www.cra-arc.gc.ca/chrts-gvng/chrts/pplyng/rgstrtn/rght-eng.html

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