

GUIDE FOR CHURCH TREASURERS
OF THE CHURCH OF GOD



CANADIAN
CHURCH OF GOD
MINISTRIES

Developed for the Church of God in Western Canada

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A. Automobile Expenses

Charities can reimburse their employees (and volunteers) for mileage costs if they wish. There are two recommended ways to do this:

1) The employee obtains gasoline receipts for costs and submits these when claiming this expense (this requires that the employee fill up their vehicle immediately before and after they use their vehicle for church business),

OR

2) The employee keeps a log of kilometers traveled and is paid a set amount per kilometer. The charity is allowed to figure GST portion in this without having any receipts on hand. (To calculate the GST do the following calculation:

Total amount to be reimbursed *times 7 divided by 107* = GST.

Some churches have a car allowance that they pay their pastor and this amount remains the same each month. In this case, no GST can be claimed as having been paid by the charity for this expense.

For 2016, the rate paid should not exceed \$0.54/km on the first 5000 km/year (paid by the organization, not for each employee) and \$0.48/km on distance over 5000 kms/year. (An additional \$0.04/km is allowed on travel in the Yukon and Northwest Territories.)

B. Charity Return T3010

The T3010 is the Tax Return the Charity must file with Canada Customs and Revenue Agency within six months of the charity's fiscal year end. To fail to do so puts your church's status as a charity in jeopardy (which includes the ability to issue tax-deductible receipts).

General Comments

Words in bold type on the T3010 are explained further in the guide that comes with the return. You will want to consult the guide in this first year of the new format.

The whole return is available to viewing by the public except for some information in section B2 and all of section I. CCRA has begun posting this information on their website. See <http://www.cra-arc.gc.ca/chrts-gvng/menu-eng.html> to search for registered charities and to view their annual return information. You may want to see what they have posted for your charity.

Section A. Identification

A3 You would check off "Yes" in 1540 and would put our name and business number as follows:

Name: Canadian Church of God Ministries

Business Number: 10742 2586 RR0001

Section B. Directors/Trustees and Like Officials

Directors/trustees and like officials are persons who have governing authority in the registered charity. This usually means persons who hold positions identified in the registered charity's governing documents, such as chair, treasurer, secretary, or past president. The registered charity may have other officials that have governing powers similar to a director or trustee. While they may not have the title of director or trustee, the *Income Tax Act* considers these people to be like officials. For example, religious leaders often have some governing authority and would be considered as like officials.

To enter this information, use form T1235 or a sheet with the same information using the same format and attach it to the return.

"arm's length" – At arm's length is a tax concept describing a relationship where persons act independently of each other or who are not related. The term "not at arm's length" means persons acting in concert without separate interests or who are related.

Related persons are individuals who are related to each other by blood, marriage, or adoption. Examples of blood relatives include grandparents, parents, brothers, sisters, and children. Examples of persons related by marriage include the grandparents of a spouse, the parents of a spouse, the brothers and sisters of a spouse, the spouse of a child, and the spouse of a grandchild. Generally, in determining arm's length relationships, common law partners are treated in the same way as legally married spouses. Adopted children are treated in the same way as blood-related children.

Related persons also include individuals or groups and the corporations in which they have a controlling interest. Persons related to these individuals or groups are also considered related to those corporations.

You will find more information on this subject in Interpretation Bulletin IT-419R, Meaning of Arm's Length.

"like officials" A like official is a person who has governing responsibilities for the registered charity similar to those of a member of the governing board or a trustee. This should be interpreted broadly to include any persons having control and management of the administration of the registered charity. Such people hold positions often identified in the registered charity's governing documents, such as chair, treasurer, secretary, or past president.

Section C. Programs and General Information

C2 If the registered charity is undertaking new programs that they have not yet approved, please contact Canada Customs and Revenue Agency.

Use active verbs such as "do," "offer," "provide," "operate," "conduct," "perform," "educate," "feed," "give," or "house" to describe how the registered charity carried out its charitable programs during the fiscal period.

Provide enough detail for a reader to clearly understand what the registered charity actually does. For example, simply saying "we advance religion," or "we relieve poverty" is not enough.

C4 Registered charities can conduct charitable programs outside Canada if these are their own charitable programs. To carry on their programs abroad, registered charities can use employees or volunteers posted in other countries, or they can retain the services of an agent or contractor under agency agreement, contract, joint-venture, or similar arrangements provided that the registered charities exercise control and direction over the programs. They can also make gifts to other qualified donees that conduct their charitable programs outside Canada.

C5 List every country or region where the registered charity managed or co-managed programs. Do not include countries where programs were managed totally by other qualified donees to whom the registered charity made a gift.

If the registered charity did not carry on programs outside Canada, leave these boxes blank.

C6 Here, "honoraria" means payments to individuals other than staff.

C7 Political activities are activities intended to pressure elected or government officials on legislative or policy matters. Registered charities are not political bodies. Therefore, they face limits on the type and extent of political activities they can pursue.

There are three important restrictions:

- Activities must be entirely non-partisan in nature. Registered charities must not support or oppose political parties or candidates for public office. For example, a registered charity cannot purchase tickets to a fundraising event held by a political party;
- Disbursements are allowed only as additional expenditures after registered charities have satisfied the requirement that they substantially devote their resources to charitable programs. As a guideline, we suggest registered charities devote no more than 10% of their disbursements to political activities; and
- Activities must relate directly to the registered charities' purposes. Registered charities are not permitted to commit their resources to campaigning on issues, policies, and laws that are unrelated to their formal purposes.

C10 Registered charities may charge fees or receive regular income from the sale of goods or services, or from the use of the registered charities' assets. The term "regular" does not

necessarily mean daily. It means on a repeated basis where there is a system and continuity to the transactions being carried on. Some examples would be weekly bingos, monthly operation of a used clothing store, or an annual summer camp. These include revenue from goods or services provided as part of the registered charities' programs.

Goods sold can include gift-shop items, books or other publications, tapes, food, clothing, furniture, or used items. Services provided include shelter, catering, housekeeping, medical or health care, education, counseling, nursery, day care, or transportation. Use of a registered charity's assets includes allowing a group to hold a meeting on the registered charity premises for a fee, or receiving revenue from the use of the registered charity's mailing list, or allowing individuals or corporations to use the registered charity's name or logo in return for compensation.

C11 Qualified donees are organizations that can issue official Canadian tax receipts for gifts that individuals or corporations make to them.

They include:

- registered Canadian charities;
- registered Canadian amateur athletic associations;
- registered national arts service organizations;
- housing corporations in Canada constituted exclusively to provide low-cost housing for the aged;
- the United Nations and its agencies;
- universities outside Canada with a student body that ordinarily includes students from Canada (these universities are listed in Schedule VIII of the *Income Tax Regulations*);
- charitable organizations outside Canada to which Her Majesty in right of Canada (the federal government or its agents) has made a gift during the registered charity's fiscal period, or in the 12 months immediately before the period;
- municipalities in Canada; and
- Her Majesty in right of Canada or a province (the federal government, a provincial government, or their agents).

To enter this information, use form T1236 or a sheet with the same information using the same format and attach it to the return.

List the qualified donees in descending order of the total value of the gifts they made from the largest value to the smallest. The qualified donee's location must include the city and province or territory, if the qualified donee is located in Canada, and the city and country, if the qualified donee is located outside of Canada. Also report the total number of qualified donees to whom the registered charity made gifts. The total amount of all gifts to qualified donees should be reported on line 5050.

Section D. Compensation

Compensation includes all forms of salaries, wages, commissions, bonuses, fees, honoraria, etc., plus the value of benefits, such as the use of the registered charity's vehicle. In general terms, it includes all amounts that form part of a recipient's income from employment.

Do not include the registered charity's portion of payments to an employee's pension, medical, or insurance plan. Also, do not include reimbursements (e.g., for expenses incurred while working on the registered charity's behalf, such as travel claims).

D5 A registered charity cannot pay its directors/trustees and like officials simply for occupying their positions. However, a registered charity can pay its directors/trustees or like officials a reasonable amount when they provide services to the registered charity. Please note that provincial laws may differ in this regard.

Check "No" if the only payments the registered charity made to its directors/trustees and like officials were reimbursements for amounts spent to carry on their duties (e.g., an out-of-town director's accommodation and travel expenses while attending a board meeting).

D6 A registered charity has to make sure that none of its income is used to personally benefit individuals or organizations with ties to the registered charity. This includes the transfer of a registered charity's property. However, it does not include the transfer of a registered charity's property or assets to beneficiaries in the operation of the registered charity's programs.

Check "Yes" if the registered charity transferred some of its income or assets to individuals and/or organizations not at arm's length to the registered charity.

Check "No" if the only compensation made to individuals was, for example, reasonable amounts spent to host a recognition night to honour the services of employees and volunteers.

Section E. Financial Information

When you complete this section, make sure that you round all amounts to the nearest single dollar.

At a minimum, financial statements consist of a statement of assets and liabilities and a statement of revenue and expenditures for the fiscal period. They should show the different sources of a registered charity's revenue and how it spent its money. In some cases, the registered charity may not have any assets or liabilities, or may have been inactive during the period and not have had any revenues or expenditures. If this is the case, you must still provide a financial statement showing a minimum of \$0 in assets, \$0 in liabilities, \$0 in revenue, and \$0 in expenditures. This statement should be signed by an authorized representative of the registered charity.

E3 The accrual basis records revenue in the fiscal period in which the registered charity earned it, even if the registered charity receives the revenue after the end of the fiscal period. Similarly,

the registered charity records an expenditure in the fiscal period the charity incurred it, even if the registered charity pays this bill in the following period.

Financial information prepared on a cash basis records only revenue or expenditures the registered charity actually received or paid during the fiscal period.

Line 4510 Official Donation Receipts for income tax purposes should not to be issued for gifts received from other registered charities.

Specified Gifts (Line 4520) – This does not necessarily mean designated gifts. Specified gifts under the *Income Tax Act* allow for the transfer of gifts from one registered charity to another registered charity. If the recipient of a specified gift is a charitable foundation, the amount will not be added to its disbursement quota. However, the gift must be considered by a charitable foundation when determining the value of investment assets. A charitable organization, unlike a charitable foundation, would not benefit from receiving a specified gift because it does not have to include gifts from other registered charities when calculating its disbursement quota. However, the donor charity cannot use the specified gift to satisfy its own disbursement quota. A gift becomes a specified gift if the donor charity identifies it as such in its return for the year. Most of our churches will not use specified gifts.

Line 5000 to 5040 The total of these lines should total the amount in line 4950. It is important to fill out these lines as they show CRA what your charity has spent on charitable activities.

Line 5050 – Details of the amount reported on this line can be shown through form T1236

Section F. Other Required Information

F1 Do not include gifts made to qualified donees. For example, funds that you send to our office for Living Link Missionaries or challenge mission projects would not be included on this line because we are a qualified donee.

F4 Refers to amounts on line 4500

Section H Certification

The return must be signed by a director/trustee or like official of the registered charity who is authorized to sign on behalf of the registered charity. The person signing this return should check all the information provided to make sure it is correct, complete, and up-to-date.

C. Designated Gifts

A church that accepts designated gifts should keep the following information in mind:

1) A church does not have to accept any designated funds it does not want to. Once the cheque or cash for the designated amount is deposited in a financial institution, the church is considered to have accepted it. This fact requires that whoever deposits the funds for the church should

make sure that the directors of the charity want to accept these designated funds before they deposit the funds. If there is doubt the directors should be consulted before depositing those funds. Even if a will specifies a designated donation the charity does not have to accept the gift with the designation. It can ask the executor to apply to the courts for a change in the designation (There is a cost to this so it is better to have the executor cover these fees out of the estate).

2) To be eligible for a charitable receipt, the designated funds should fall in line with the church's charitable purposes. The directors of the church need to be in control of funds of the church and should not be dictated to by an individual donor who has a pet project. That donor can ask the directors if their project would be acceptable to be adopted by the directors of the church but the decision to accept the project needs to be in the hands of the directors.

If a church encourages designated gifts through its fundraising methods, it should state in its promotion what excesses would be used for if more funds come in that are needed for a project.

D.Disability (Long Term)

The Church Workers' Benefit Plan includes a long-term disability benefit. It is required that premiums for this portion of the plan should be paid for by the employee. When the employee pays the premium and later a claim is made, the employee will not have income tax deducted from any benefits they receive.

The church can deduct it off the employees paycheck, send it along with the rest of the premium and this would be considered to have been paid by the employee.

E.Federal Gasoline Tax Refund

Canada Customs and Revenue Agency allows for charities to claim a rebate on taxes that it pays for gasoline purchases when used for charitable purposes. To make a claim a special form must be filled out. The address to get a claim form from and to send claims to is:

Canada Revenue Agency
Excise Gasoline Tax Refund program
Summerside Tax Centre
275 Pope Road, Suite 101
Summerside PE C1N 6E7

This means that a charity can claim a rebate on any travel costs it reimburses people for if they fall into one or two of these categories:

1) A gasoline receipt showing how many litres were purchased. In this case the rebate is: the number of litres *times* \$0.015

2) A travel expense claim showing how many kilometers are being claimed. In this case the rebate is: number of kilometers *times* \$0.0015

If your claim is less than \$200 you can claim it every six month for periods ending June 30 and December 31. You can go back for a maximum period of 2 years. Normally claims are due by the end of the next month after a period ends.

If your claim is over \$200 you can make the claim anytime. They will not process claims for totals under \$10.00.

You do not need to send receipts or expense claims with your application for a refund but you must keep them on file for up to six years in case Canada Customs and Revenue Agency wishes to see them.

F. Foreign Missions

When a charity contributes to mission projects outside of Canada it has to meet Canada Customs and Revenue Agency's requirements for doing so.

The main requirement is that the charity stays in control of how the money is being spent and receives an accounting of how the funds were used. The project must fall within the charitable purposes of the charity.

A foreign missions project can be handled by one of four ways:

- by an employee of the charity
- by a joint ministry agreement with another agency
- by an agent the charity has made a contract with to act on their behalf

In all three of these, control of the funds must remain with the charity and an accounting has to be sent back to the charity.

- through another registered Canadian charity that uses one of these 4 methods.

G. Gifts in Kind

A charity can issue receipts for donations of a material nature without funds being exchanged but Canada Customs and Revenue Agency has guidelines for determining what can be receipted and what should be on the receipt.

A charity can receipt donations of a material nature (such as property, shares, physical items) but it cannot issue a gift-in-kind receipt for services performed. Receipting of travel expenses donated back should be handled with a cheque exchange, not issuing of gift-in-kind receipt.

The value of the gift must be determined as the fair market value of the item the day the donation was made. If the gift came through someone's will, its value would be determined on the date of death of the donor. If the value is under \$1000 someone who is part of the charity can make the determination of value as long as they are competent to do so. If the value is over \$1000 there

needs to be an appraisal made by a competent, independent appraiser who is not connected with the charity. If an item is donated to a charity auction or garage sale the value is the fair market value of the item on the day it was donated, not what the item actually sold for.

If the donation is of nominal or little value (eg. used clothing), no receipt should be issued.

The receipt for gift-in-kind donations needs to include certain information as follows:

- The date the donation was made.
- The name and address of the appraiser if the gift is over \$1000.
- The fair market value of the donation as of the received date.
- A description of the gift including make, model, and serial numbers if available.
- The donor's name and address.
- The charity's name, address and business number for receipting purposes.
- The date the receipt was issued.
- The location the receipt was issued at.
- The phrase: "Canada Revenue Agency www.cra-arc.gc.ca/charities". They would like you to put on the fuller phrase: "For information on all registered charities in Canada under the Income Tax Act Please contact: Canada Revenue Agency www.cra-arc.gc.ca/charities"
- A signature from someone authorized by the charity to sign receipts

H. GST Rebates

A registered charity can apply for a rebate on all GST paid for items purchased for its charitable purposes. A charity can do this when it is not registered to collect GST. The rebate most charities can receive is 50% of GST paid. (The exception is when a charity pays GST on goods it exports out of Canada for charitable purposes, it can receive 100% rebate on these items.)

The rebate can be claimed every six months for periods ending June 30 and December 31.

Documentation needs to be kept on file to support GST claims as follows:

- 1) Purchases under \$30 an invoice, cash register tape, or other documentation showing:
 - vendor's name or trading name
 - the date tax was paid or became payable
 - the total amount paid or payable

- 2) Purchases of \$30 to under \$150 an invoice, cash register tape, or other documentation showing:
 - vendor's name or trading name
 - vendor's GST registration number
 - the date tax was paid or became payable
 - the total amount paid or payable
 - the amount of GST paid or a statement that the price includes GST.

3) Purchases \$150 or more an invoice, cash register tape, or other documentation showing:

- vendor's name or trading name
- vendor's GST registration number
- the purchaser's name or trading name or authorized representative of the charity
- the date tax was paid or became payable
- the total amount paid or payable
- the amount of GST paid or a statement that the price includes GST.
- the terms of sale (eg. cash sale, discount for prompt payment, etc.)
- a description of the supply

I. Life Insurance

If a church provides a benefit plan to any of its employees and that benefit plan includes a premium for life insurance of the employee or their family, the portion of the premium that is for life insurance should be considered a taxable benefit to the employee (they would have CPP, EI and income tax deducted on the life insurance portion of this benefit.

J. Payroll

When a church has employees that it remunerates for the services they provide, it needs to be aware of and follow the Canada Customs and Revenue Agency regulations for employers. First of all, the church needs to determine if the person performing the service is an employee or a self-employed person performing services for the church under contract.

The following chart should help you make that determination:

Employee

the church controls time, place & manner of performing activities
church establishes working hours
church determines salary amount
church supervises & assesses activities
church provides supplies, equipment

Self-employed

employee decides when, where and how work is to be done
employee establishes working hours
can make a profit or incur a loss
church is only one of their work clients
employee provides supplies, equipment

Any employee has to have deductions taken off their pay and submitted to Canada Customs and Revenue Agency. As well the church will have to contribute employer's portions of some deductions as well. If the person is self-employed, they have the responsibility to do this themselves.

What income and/or benefits are used to calculate deductions for employee and for the church?

a) Salary

b) Housing Allowance - if the church provides any employee with a housing allowance, this is considered a taxable benefit. If any clergy files a letter with the church

indicating that he/she will be claiming a clergy housing deduction and if the value of that deduction is at “fair market value” this portion of his benefits should not have CPP or Income Tax deducted, however Employment Insurance deductions are calculated on it. The fair market value of this benefit should be determined by a competent, independent appraiser.

- if the church provides free housing, the fair market value of that housing (including utilities if paid for by the church) is considered a taxable benefit but if any clergy files a letter with the church indicating that he/she will be claiming a clergy housing deduction and if the value of that deduction is at “fair market value” this portion of his benefits should not have CPP or Income Tax deducted, however Employment Insurance deductions are calculated on it. The fair market value of this benefit should be determined by a competent, independent appraiser or would be equal to the rent (and utilities) paid by the church on behalf of the employee.

- c) Any pension or RRSP contributions that the employer provides for the employee.
- d) The value of life insurance premiums paid for by the church.
- e) The value of any contribution to the employee’s provincial health care plan if the employer does not pay the premiums for the employee.
- f) Gifts given to employees (with the exception of up to \$100/person for Christmas or wedding gifts).

At the end of each calendar year, the charity must make out a T4 for each employee showing taxable income and deductions forwarded on to Canada Customs and Revenue Agency by the charity. A T4 summary also needs to be completed which summarizes the information on all the T4’s and reports the employer’s contributions made through out the year as well.

K. Privacy Legislation (from CSAE magazine Feb-Mar 2003)

“Broadly defined as any information that can be used to distinguish, identify or contact a specific individual, personal information may be factual or subjective, recorded or not.”

“Examples of personal information include:

- age, name, ID numbers, income, ethnic origin, blood type
- opinions, evaluations, comments, social status, disciplinary actions
- employee files, credit/loan records, medical records, intentions (e.g. to change jobs)

However, as stated in CSAE’s backgrounder on the PIPED Act, certain publicly available information (e.g. names addresses and phone numbers published in telephone directories) and business contact information are not considered personal information. That means that when an

individual provides his/her contact information as business contact information, the contact information is not subject to the Act's protection.”

What are the basic principles?

The PIPED Act adopts the 10 principles in Canada's Model Code for the Protection of Personal Information developed in 1996 by business, consumers, academics and government under the auspices of the Canadian Standards Association. Those principles of fair information practise provide ground rules for collecting, using and disclosing personal information. The principles are:

- **Accountability:** Your association must designate responsibility for ensuring the appropriate management of the personal information in its custody. The accountability principle also extends to any personal information transferred to third parties for processing.
- **Identifying purposes:** Your association must identify why it collects personal information (e.g. to verify membership eligibility) and communicate the purpose(s) to the individuals concerned.
- **Consent:** Subject to the permitted exemptions (e.g. legal, medical or security reasons for which it is impossible or impractical to seek consent), your association must obtain consent before collecting, using or disclosing an individual's personal information. Your association does not have to recollect the information in its possession; however, it must obtain consent for the continued use or disclosure of that information because the Act applies retroactively.
- **Limiting collection:** Your association should not collect personal information indiscriminately and should limit collection for what is necessary for the identified purpose(s). Associations are prohibited from collecting information through deception or misrepresentation.
- **Limiting use, disclosure and retention:** Except with an individual's consent or as required by law, your association should not use or disclose personal information except for the purpose(s) for which it is collected. However, your association may keep the personal information for as long as necessary to satisfy an intended purpose or a legal requirement for retention.
- **Accuracy:** Your association must ensure that personal information is sufficiently accurate, complete, and up-to-date for the purpose(s) for which it will be used, thereby minimizing the possibility that incorrect information will be used in decision-making or disclosed to a third party.
- **Safeguards:** Your association is required to provide adequate security for the personal information in its possession/control. Personal information – in any media format – must be protected against loss or theft and safeguarded from unauthorized access, disclosure, copying, use or modification.
- **Openness:** Your association is required to make its policies for managing personal information readily available to members, donors, employees and prospects and provide – upon request – the name and contact information of the individual responsible for your association's compliance with the Act.
- **Individual access:** Upon a written request, your association is required to provide an individual with access to his/her personal information, identify the uses to which the

information was put and provide the names of any 3rd parties to whom the information was disclosed. Subject to a few exemptions, your association must respond to a request with due diligence within 30 calendar days.

- Challenging compliance: Your association must respond to complaints and take corrective action. Individuals may complain to your association or to the federal Privacy Commissioner. The Act's substantial enforcement provisions include audit rights, fines of up to \$100,000, the possibility of personal liability, and unlimited punitive damages and damages for humiliation.

Preparing to comply:

1. Assign accountability – Appoint a senior management employee as your association's Privacy Officer and provide him/her with the authority, resources and training needed to develop and implement a compliance program. The Officer's responsibilities should include developing and implementing policies, procedures and training to ensure that employees and volunteers are aware of their responsibilities. The Privacy Officer should also function as your association's "public face" by responding to privacy inquiries, access requests and complaints and ensuring that members, donors, employees and prospects are informed of your association's practises for safeguarding personal information.
2. Audit your association's personal information practises by documenting and analyzing how personal information is currently handled. You will need to obtain answers to such questions as:
 - What personal information is collected?
 - Why is it collected?
 - What is it used for and by whom?
 - To whom is it disclosed?
 - Was consent obtained when the information was collected?
 - Where and how is the information stored
 - When is the information destroyed?
 - What policies and procedures regulate the handling of the personal information?
3. Identify and correct deficiencies – Assess your association's personal information practises against the Act's 10 principles to identify areas for improvement and implement corrective action to achieve compliance. Keep in mind that if your association has followed a voluntary code – particularly the 1996 Model Code for the Protection of Personal Information – your association may require few corrections to achieve compliance.
4. Develop and implement policies and procedures – Your association must develop and demonstrate the implantation of policies and procedures that comply with the Act's requirements such as:
 - Identifying the purposes for which information is collected, used and disclosed.
 - Obtaining and documenting consent and any withdrawals of consent.
 - Responding to privacy inquiries, access requests and complaints.
 - Providing a timetable for keeping personal information.
 - Securely storing personal information regardless of its media format or storage location and ensuring its secure destruction when no longer needed.

5. Keep abreast of provincial legislative changes and adjust your business practises accordingly – Base your association’s compliance program on the PIPED Act’s requirements and adjust our business practises to comply with any substantive differences in the provincial legislation that may be enacted.

L.Receipting

Churches will need to design a least a couple types of receipts to be used in their activities.

1) Official Charitable Receipts - are used to recognize and document gifts made to the charity that are considered to be tax-deductible. The donations should fall within the charitable purposes of the charity and are controlled y the board of directors. They need to include certain pieces of information as follows:

- it must contain the statement, “An official receipt for income tax purposes”.
- the name and address of the charity as it is registered with Canada Customs and Revenue Agency.
- the charity’s business number assigned by Canada Customs and Revenue Agency.
- the serial number of the receipt.
- the place or locality where the receipt was issued.
- the date the donation was received by the charity.
- if a gift-in-kind donation a description of the donation and the name and address of appraiser if an appraisal was done.
- the date on which the receipt was issued.
- the name and address of the donor including their first name and initial if an individual.
- the amount of the donation.
- Eligible amount for tax purposes.
- The location the receipt was issued at.
- The phrase: “Canada Revenue Agency www.cra-arc.gc.ca/charities”. They would like you to put on the fuller phrase: “For information on all registered charities in Canada under the Income Tax Act Please contact: Canada Revenue Agency www.cra-arc.gc.ca/charities”
- signature of authorized person to acknowledge donations on behalf of the charity.

Gifts made at year-end which have a postmark on or before December 31 but which are not received by the charity until after January 1 of the next year can be considered to have been made in the year they were mailed in. The charity should keep the postmarked envelope with its records.

If a charity is asked to replace a lost or spoiled receipt they can do so but the replacement receipt should refer to the serial number of the receipt it is replacing and should be marked clearly as a “Duplicate Receipt”.

2) Other receipts for non-tax-deductible transactions - These need to be different than the official receipts in that they would not contain the phrase, “An official receipt for income tax purposes” nor would they have the business number of the charity on them. Any donations from other registered charities in Canada should not be issued an “official receipt for income tax purposes”.

Advantage to Members:

On Dec 20, 2002 changes were introduced to the Income Tax Act that became law.

Basically if your charity offers members an advantage (of an economic nature) “because they are members” this amount will need to be shown on everyone’s receipt for that year whether they accessed the potential advantage or not. This means that your church should review its policies for several areas:

- 1.) If you charge members a different rate for use of the church building than you do non-members (e.g. wedding for a son or daughter), then your members receive a potential advantage and their allowed tax deduction for the year is reduced by the amount of the benefit.
- 2.) If you church offers financial assistance to send someone to camp or to college and this benefit is only open to members, then this would be considered an advantage that would reduce everyone’s receipt that gave during that year.

You will need to review any other policies you have that give members an economic advantage and then either change the policy to not give members an advantage or your treasurer will need to indicate the total of potential advantages that members are eligible for on their receipt annually. This will reduce the amount that every donor can claim annually, whether they actually received the commercial advantage or not. Even if the advantage is \$0, the receipt will need to indicate this. (I expect CCRA will have more to say on this later this year-2003.)

M. Retention of Records

Various records must be kept for certain periods of time as follows:

- 1) Duplicate Official Receipts (Other than for those gifts to be held for at least 10 years)
The duplicate receipt and any records needed to verify these receipts need to be kept for a period of 2 years after the end of the calendar year to which the receipt relates.
- 2) Tax withholding/GST/HST and other business records and supporting documents must be kept for at least 6 years after the end of the calendar year to which they relate.
- 3) Permanent records should never be destroyed and include:
 - Minutes of the board of directors and the annual meeting of members.
 - All governing documents (bylaws, constitution, etc.)
 - Duplicate official receipts for gifts that were required to be held for at least 10 years.

N. Role and Responsibility of a Church Treasurer

The Treasurer's main role is to carry out the wishes of the Board of Directors in regards to financial matters and to report back to them what has occurred. The Treasurer may or may not be a member of the Board. If they are a member of the Board this should not be a paid position.

The Treasurer's responsibilities are in the areas of: receipts and deposits, disbursement of funds, filing of information and reporting.

1) Receipts - Receipts shall be made out with all the required information [name and address of the charity, business number, serial number of the receipt, date or year received, date receipt issued, name and address of donor (including first name and initial if applicable), amount of donation, the statement - "An official receipt for income tax purposes", authorized signature] for income that is eligible for charitable tax deductions. If the donation is a gift of property, the receipt should also contain: a description of the item(s) including make, model and serial numbers if applicable; the fair market value; and the name and address of the appraiser if the amount is over \$1,000.00. These receipts need to be signed by the Treasurer but someone else could prepare the receipts. Receipts for other significant income received (e.g.. rentals) should also be made out but these should not include the Registered Business Number (Charity Registration number) of the Charity or the statement - "An official receipt for income tax purposes". No receipts for loose offerings should be issued. You may want to keep copies of checks for verification later if questions arise from donors or auditors.

2) Security of Information - Some of the information about income received from donors should be kept confidential. The Board of Directors may want to determine who has access to what kind of information. Decisions about how to store such information is also important (e.g.. locked files, computer security, etc.).

3) Deposits - The income received shall be deposited at a financial institution designated by the Board of Directors. Deposit Books should be kept for audit purposes.

4) Disbursements - Funds spent should have an accompanying invoice/receipt/expense claim filed to verify what the amount was spent on. Claims for expenses should be signed by the claimants. Funds should be disbursed according to budget limits and/or upon request by the Board.

5) Cheque Signing - It is highly recommended that checks written should require two signatures - one being the treasurer and one being another person authorized by the Board of Directors. The second person should not be closely related to the Treasurer. This second person could be one out of two or three people. The second person should be a member of the Board.

6) Reporting - Monthly reports for the Board of Directors showing income, expenses and a balance sheet should be prepared by the Treasurer. The treasurer should also be prepared to give a verbal report based on the written report. The Treasurer might also be required to prepare other reports that the Board of Directors would require. The Treasurer should prepare the Annual Financial Report for the Annual Business Meeting and the Charity Information Return for Canada Customs and Revenue Agency submitted within six months of the charity's year end.

Reports to donors about what their giving has been should be given regularly (every three months suggested).

7) Keeps Financial Records and Books - Copies of all Receipts, Invoices, and Reports should be kept in a secure location. Canceled Checks, Deposit Books, Bank Statements and Foreign Mission Agreements should be kept as well. This information should be kept in an organized manner so that locating information is not difficult.

8) Audit - The Financial Records should be audited annually by at least two auditors or a chartered accountant. The process for choosing who would do this as well as what type of audit should be determined by the Board of Directors. The Treasurer should be available during the time of the audit to answer any questions. The Charity may also be audited by Canada customs and revenue agency.

9) Bonded - The Treasurer should be bonded to protect the funds that they have access to.

10) Government Regulations - The Treasurer should become acquainted with the work of the Canadian Council of Christian Charities. This organization helps keep Canadian Charities updated with the regulations of the Government of Canada regarding charities. They also can help get clarification on a ruling by Canada Customs and Revenue Agency.

11) Supervisory Control - Although the Treasurer may not carry out all the functions above such as depositing, receipting, and filing they are responsible to see that they are carried out according to policy.

O. Using Speakers, Musicians, etc. from another country

1) Introduction

Churches who reimburse a non-resident for services (speaking, music, etc.,) should consider the tax implications of doing so.

"Regulation 105(1) of the Canadian Income Tax Act requires every person who pays a Non-Resident person for services performed in Canada to withhold 15% of any such payment. However, residents from the United States may be granted a waiver of withholding tax if he/she can adequately demonstrate to the Department they are not taxable in Canada by virtue of Articles V, VII, XIV, and XV of the Canada-U.S. Income Tax Convention (1980). Residents of other countries may also qualify for reduction of withholding tax."

(from the front of the Non-resident Tax Waiver Application)

2) U.S. Residents

A. For reimbursement paid to a U.S. resident there does not have to be any withholding tax where the reimbursement does not exceed \$5,000.00. However, to avoid withholding tax of 15%, there needs to be an application filled out by the non-resident to waive the withholding tax.

B. These applications can be obtained from your district taxation office of Canada Customs and Revenue Agency.

C. It is a good idea for the church to work with the non-resident to make sure the forms are filled out correctly. The non-resident will need a copy of an agreement or contract they have with the church that would specify how much they were being reimbursed for and what was expected of them. The agreement or contract needs to be filed with the application for waiver by the non-resident.

D. It is important to know that the application to waive withholding needs to be in the office of Canada Customs and Revenue Agency 30 days before the event the non-resident will be engaged for. When Canada Customs and Revenue Agency processes the request they will let the employer (church) know if they are required to withhold tax or if this requirement is waived.

E. If no application is made, the church needs to withhold 15% of the tax and remit it along with their regular payroll deductions to Canada Customs and Revenue Agency by the 15th of the following month.

F. Whether there is withholding tax or not, the church needs to fill out a T4A-NR giving the non-resident and Canada Customs and Revenue Agency appropriate copies. They would also file a T4A-NR Summary before February 28 the following year. The T4A-NR requires you to state reimbursement paid for services in box 18; reimbursement paid for transportation/meals/accomodation in box 20; and income tax withheld in box 22.

3) Non-U.S. Non-Residents

For non residents from other countries than the U.S., the limits change because there are different tax treaties with other countries. You will need to contact Canada Customs and Revenue Agency to see what limits apply to the country your speaker is from. T4A-NR's and T4A-NR Summaries would still be required to be filled out and filed.

4) Churches Sharing a Speaker

If several churches are going to share a speaker, they would each be responsible for issuing their own T4A-NR and T4A-NR Summary. The speaker should fill out a Waiver for each church they would be speaking at. Each Application for Waiver would state the total income the speaker expects to receive for the year in Canada.

5) Non-Resident Income Tax Return

The non-resident is expected to file a Canadian Income tax form by April 30 the following year even if their was no withholding tax. Their copy of the T4A-NR tells them how to obtain Canadian income tax forms.

For further information contact your district taxation office. The Edmonton District Taxation Office contact is Giselle Dion (403) 495-6575. She is part of International Tax Services - Non-resident Section of Canada Customs and Revenue Agency.