

Policy Code # A-FN-105-001/AG-001

Chapter 29: Accounting for Non-Public Property Fundraising

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GENERAL

1. The purpose of this policy is to provide Non-Public Property (NPP) Fundraising accounting guidelines and procedures.
2. All proceeds from NPP fundraising activities shall be managed pursuant to the [NPP Fundraising Policy](#) and the [NPP Fundraising Guide](#), both of which must be reviewed in conjunction with this policy.
3. The Canadian Forces Morale and Welfare Services (CFMWS) manage a series of NPP funds where donations are received (Base/Wing/Unit Funds/, CAF Museums and Support Our Troops Program for example). These NPP funds and other NPP organizations are legally considered to be “administrative constructs” of either the Chief of the Defence Staff or Commanding Officers acting in their official NPP capacity.
4. NPP is a distinct type of Crown property. Any gifts received by NPP organizations are considered to be a gift to the Crown. The Crown as “His Majesty the King in right of Canada” is a “Qualified Donee” in accordance with the *Income Tax Act*. It follows that NPP organizations (as His Majesty the King in right of Canada) are qualified donees and as such can issue official income tax receipts for donations received. Further, as His Majesty the King in right of Canada, NPP organizations do not have to be included on a list maintained by the Canada Revenue Agency (CRA) to be recognized as a Qualified Donee and thus do not have nor require a Charity Registration Number.

APPLICATION

5. This policy applies to members of the Canadian Armed Forces (CAF) in their NPP capacity, employees of Department of National Defence (DND) Public Service, Staff of the Non-Public Funds, Canadian Forces, and any other person, soliciting or accepting sponsorship and donation support on behalf of NPP programs and events.

NPP FUNDRAISING ACCOUNTING AND CONTROL PROCEDURES

6. The accounting and control procedures for NPP Fundraising activities are detailed at [Annex A](#).

INCOME TAX IMPLICATIONS - DONATIONS ONLY

7. To qualify as a tax deductible donation under the *Income Tax Act*, the transfer of funds or property must be:
 - a. voluntary;
 - b. given without valuable consideration; and
 - c. without expected return or refund beyond acknowledgement, as agreed upon by all parties.

Note: NPP Sponsorship does not meet the criteria of a tax deductible donation - accordingly

an official income tax receipt shall not be issued.

8. For donations (gifts) of money or other property to an NPP activity (His Majesty in right of Canada as represented by the Chief of the Defence Staff acting in his Non-Public capacity as provided in Sections 38 to 41 of the National Defence Act through “name of the NPP activity”) received by a donor corporation, the corporation will usually qualify for a deduction; an individual donor will be entitled to a tax credit.
9. Official donation receipts are required for tax deduction or credit purposes only. Accordingly, as registered charities and other qualified donees do not pay income tax, acknowledgement for gifts received from these organizations shall be by way of a letter or ordinary receipt in lieu of issuing an official income tax receipt.
10. Instructions for the issuance of Official Income Tax Receipts are detailed at [Annex B](#).

SALES TAX IMPLICATIONS - GST/HST/QST/PST

11. As per Chapter 8 of AFN-105 (Sales Taxes), donations and gifts given to any NPP activity (including donations or gifts to a MW event) do not attract GST/HST/QST/PST. In addition, sponsorship revenue is not subject to PST in the provinces of Manitoba, British Columbia, and Saskatchewan.
12. Conversely, sponsorship revenues (cash and product in kind) are subject to GST/HST/QST - NPP operations’ special commercial status for GST/HST applications precludes the entitlement of all public sector exemptions from GST/HST including GST/HST exemption for sponsorship (QST follows GST rules for sponsorship). Sample details can be found within the [Tax Implications – NPP Donations and Sponsorship letter](#).
13. Place of Supply Rules - Sponsorship is considered a service and thus in circumstances where Sponsorship services are provided to an out of province customer, the GST/HST rate is based on the customer’s address; e.g. if a NS company sponsored the Army Run in Ottawa the applicable GST/HST rate would be the Nova Scotia HST rate of 15% (as of 1 July 2010).
14. Outside Canada (OUTCAN) – Sponsorship revenues (cash and product in kind) are only subject to GST/HST/QST for non-resident (foreign) companies who are GST/HST/QST registrants. The applicable sales tax rate is based on the company’s business address in Canada if obtained, and, if no Canadian business address is obtained, the sales tax rate shall be the rate applicable in the province where the sponsorship takes place. For non-resident (foreign) companies who are not GST/HST/QST registrants, GST/HST/QST is not applicable to sponsorship revenues (cash and product in kind).

[Annex A](#) – NPP Fundraising Accounting and Control Procedures

[Annex B](#) - Instructions for Issuance of Official Tax Receipts for Donations