

# What is the difference between a registered charity and a non-profit organization?

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Registered charities and non-profit organizations (NPO (Non-profit organization)s) both operate on a non-profit basis, however they are not the same. This page explains the differences between them.

## Registered charities

Registered charities are charitable organizations, public foundations, or private foundations that are created and resident in Canada. They must use their resources for charitable activities and have charitable purposes that fall into one or more of the following categories:

- the relief of poverty
- the advancement of education
- the advancement of religion
- other purposes that benefit the community

## Examples of registered charities

Some examples of registered charities under each of the four categories:

- relief of poverty (food banks, soup kitchens, and low-cost housing units)
- advancement of education (colleges, universities, and research institutes)
- advancement of religion (places of worship and missionary organizations)
- purposes beneficial to the community (animal shelters, libraries, and volunteer fire departments)

### Note

If you are operating as a charity and want to issue official donation receipts and not have to pay income tax, you have to apply to be a **registered** charity. If you are not registered, you do not qualify for these advantages.

# Non-profit organizations

Non-profit organizations are associations, clubs, or societies that are not charities and are organized and operated exclusively for social welfare, civic improvement, pleasure, recreation, or any other purpose except profit.

## Examples of non-profit organizations

Here are a few types of non-profit organizations and examples of each:

- social, recreational, or hobby groups (bridge clubs, curling clubs, and golf clubs)
- certain amateur sports organizations (hockey associations, baseball leagues, and soccer leagues)
- certain festival organizations (parades and seasonal celebrations)

### Note

If you are operating as a charity, you **cannot** be considered a non-profit organization, even if you are not registered or cannot be registered as a charity. You can only meet one definition, not both.

The Canada Revenue Agency (CRA) (Canada Revenue Agency) tax services offices are responsible for deciding if an organization qualifies for tax-exempt status as a non-profit organization.

## The differences between a registered charity and a non-profit organization

Topic	Registered charity	<u>NPO (Non-profit organization)</u>
Purposes	<ul style="list-style-type: none"><li>• must be established and operate exclusively for charitable purposes</li></ul>	<ul style="list-style-type: none"><li>• can operate for social welfare, civic improvement, pleasure, sport, recreation, or any other purpose except profit</li><li>• cannot operate exclusively for charitable purposes</li></ul>

Topic	Registered charity	<b><u>NPO (Non-profit organization)</u></b>
Registration	<ul style="list-style-type: none"> <li>• must apply to the <u>CRA (Canada Revenue Agency)</u> and be approved for registration as a charity</li> </ul>	<ul style="list-style-type: none"> <li>• does not have to go through a registration process for income tax purposes</li> </ul>
Charitable registration number	<ul style="list-style-type: none"> <li>• is issued a charitable <u>registration number</u> once approved by the <u>CRA (Canada Revenue Agency)</u></li> </ul>	<ul style="list-style-type: none"> <li>• is not issued a charitable registration number</li> </ul>
Tax receipts	<ul style="list-style-type: none"> <li>• can issue official donation receipts for income tax purposes</li> </ul>	<ul style="list-style-type: none"> <li>• cannot issue official donation receipts for income tax purposes</li> </ul>
Spending requirement (disbursement quota)	<ul style="list-style-type: none"> <li>• must spend a minimum amount on its own charitable activities or as gifts to <u>qualified donees</u></li> </ul>	<ul style="list-style-type: none"> <li>• does not have a spending requirement</li> </ul>
Designation	<ul style="list-style-type: none"> <li>• is designated by the <u>CRA (Canada Revenue Agency)</u> as a charitable organization, a public foundation, or a private foundation</li> </ul>	<ul style="list-style-type: none"> <li>• does not receive a designation</li> </ul>
Returns	<ul style="list-style-type: none"> <li>• must file an annual information return (Form T3010) within six months of its fiscal year-end</li> </ul>	<ul style="list-style-type: none"> <li>• may have to file a T2 return (if incorporated) or an information return (Form T1044) or both within six months of its fiscal year-end</li> </ul>
Personal benefits to members	<ul style="list-style-type: none"> <li>• cannot use its income to personally benefit its members</li> </ul>	<ul style="list-style-type: none"> <li>• cannot use its income to personally benefit its members</li> </ul>
Tax exempt status	<ul style="list-style-type: none"> <li>• is exempt from paying income tax</li> </ul>	<ul style="list-style-type: none"> <li>• is generally exempt from paying income tax</li> <li>• may have to pay tax on property income or on capital gains</li> </ul>

Topic	Registered charity	NPO (Non-profit organization)
<u>GST/HST (Goods and services tax / Harmonized sales tax)</u>	<ul style="list-style-type: none"> <li>• generally must pay GST/HST on purchases</li> <li>• may claim a partial rebate of GST/HST paid on eligible purchases</li> <li>• most supplies made by charities are exempt</li> <li>• calculates net tax using <u>the net tax calculation for charities</u></li> </ul>	<ul style="list-style-type: none"> <li>• must pay GST/HST on purchases</li> <li>• may claim a partial rebate of GST/HST paid on eligible purchases only if it receives significant government funding</li> <li>• few supplies made by NPOs are exempt</li> <li>• calculates <u>net tax</u> the regular way</li> </ul>

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