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→ Registered charity vs. non-profit organization

# 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 for purposes of the *Income Tax Act* and the *Excise Tax Act*.

## Differences between a registered charity and a non-profit organization

Topics	Registered charity	NPO
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>
Registration	<ul style="list-style-type: none"><li>• must apply to the Canada Revenue Agency (CRA) and be approved for registration as a charity</li></ul>	<ul style="list-style-type: none"><li>• no 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> upon approval by the CRA</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>• not applicable</li></ul>
Designation	<ul style="list-style-type: none"><li>• is designated by the CRA 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 period-end</li> </ul>	<ul style="list-style-type: none"> <li>• may have to file a T2 return (if incorporated), and/or an information return (Form T1044) within six months of its fiscal period-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 be taxable on property income or on capital gains</li> </ul>
GST/HST	<ul style="list-style-type: none"> <li>• most supplies are exempt</li> <li>• must calculate net tax using <a href="#">the net tax calculation for charities</a></li> <li>• is eligible to claim partial rebate of tax paid on supplies</li> </ul>	<ul style="list-style-type: none"> <li>• few supplies are exempt</li> <li>• must calculate net tax in regular manner</li> <li>• is only eligible to claim a partial rebate of tax paid on supplies if it receives significant government funding</li> </ul>

## Examples of registered charities

Examples under the four categories of charity generally include:

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

### Note

A charity must apply for charitable registration with the CRA if the charity wants to become exempt from paying income tax and/or to issue official donation receipts. Meeting the definition of a 'charity' (without registration) does **not** qualify an organization for these advantages.

## Examples of non-profit organizations

Generally these include:

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

### Note

If an organization meets the definition of a 'charity', it **cannot** be considered a non-profit

organization under the *Income Tax Act*, even if the organization is **not** registered or **cannot** be registered as a charity. An organization may meet one definition or the other, but not both.

The CRA tax services offices are responsible for determining if an organization qualifies for tax-exempt status as a non-profit organization.

## References

- [IT-496R, Non-profit organizations](#)

## Related topics

- [Non-profit organizations](#)

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