



July 2024 Information Note

Issue:

Branches need clear direction on appropriate use of BCGREA funds.

Background:

The BCGREA is a Non-Profit Organization (NPO) incorporated under the *Societies Act of BC*. To retain its NPO tax exempt and GST exempt status its financial activity must comply with the requirements of the *Income Tax Act* and *Excise Tax Act*.

Branches have little oversight or direction on how to spend association funds. There is no external review of branch funding; only an annual internal review by two branch members prior to submitting the financial report to the provincial treasurer. Branches have also received no information on legislated spending restrictions. This has resulted in some questionable spending practises that could risk our tax-exempt status.

In April 2023 the BCGREA received a legal opinion that says in part: *“Even though funds are being transferred to branches, the funds must be used for the purposes of the Association at large. As set out in Bylaw 52, the responsibility to ensure that Association funds are properly utilized resides with the Officers. That responsibility requires managerial oversight – it is not sufficient to pay funds out to branches and hope that they are utilized properly. More so the case if the Officers are aware that funds are being accumulated in excess of what is reasonably necessary or being used for purposes which do not align with the purposes of the Association.”*

What does the legislation say:

- Income Tax Actⁱ
The BCGREA remains a tax exempt NPO only as long as it meets certain conditions, such as it does not *“distribute income during the year, either directly or indirectly, to, or for the personal benefit of any member”*. Exceptions include *“reasonable amounts for honorariums, salaries, wages, or fees for services rendered, and reimbursing expenses to attend conventions and meetings that further the aims and objectives of the association.”*
- Excise Tax Actⁱⁱ
The BCGREA remains GST exempt as long as it meets certain conditions, such as membership dues are *“an indirect benefit that is intended to accrue to all members collectively”*. Members can receive a discount for property or services sold by the organization only *“where the total value of all the discounts is insignificant (less than 30%) in relation to the membership fee... whether or not the discounts are used”*.

- Societies Act of BCⁱⁱⁱ

This act also has restrictions on how the BCGREA can distribute funds. It states that “*a society must not distribute any of its money or other property other than... b)in furtherance of the purposes of the society...*”. Our Mission Statement states that one of the BCGREA main goals is “*providing opportunities to share and socialize with fellow retirees throughout our province wide network of branches.*”

What do these spending restrictions mean in practice?

YES, WE CAN use our funds to support our members collectively. For example, we can:

- subsidize the cost of snacks or a light lunch at branch meetings;
- subsidize the cost of annual social events, such as a summer picnic or festive dinner – providing the cost is reasonable and the event is open to all branch members; and
- sell BCGREA logoed products to our members at or near cost.

NO, WE CANNOT use our funds for the personal benefit of any member. For example, we cannot:

- pay for or subsidize a BCGREA sponsored event available only to a select group of members;
- offer subsidized or free products to a member where the annual value of the discount is more than \$6 (30% of a member’s dues) whether or not the discount is used. This includes subsidized admission to non-BCGREA places or events;
- sell BCGREA logoed products to a member below cost if the total annual discount for a member exceeds 30% of a member’s dues (\$6); and
- give cash or gifts to members other than appropriate BCGREA pre-approved honorariums or specific service recognitions.

ⁱ Income Tax Act IT-496R NPOs: Sections 11 and 12 Personal Benefit to Members
<https://www.canada.ca/content/dam/cra-arc/formspubs/pub/it496r/it496r-e.pdf>

ⁱⁱ Excise Tax Act RC4081 GST Information for NPOs: Page 11 Membership
<https://www.canada.ca/content/dam/cra-arc/formspubs/pub/rc4081/rc4081-23e.pdf>

ⁱⁱⁱ Societies Act of BC: Section 4 Restrictions on Distributions
https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/15018_01