

The Finance Advisory

prepared by the
Grand Lodge Finance Advisory Committee
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Greetings from the Finance Advisory.

The Committee welcomes questions and/or suggestions for topics that could be addressed in future issues. Questions or suggestions not related to lodge or temple finances will be forwarded to the appropriate Grand Lodge Committee for

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A MESSAGE FROM THE CHAIRMAN

Brethren this is my first Chairman's message for the Financial Advisory Committee for 2013 -2014 and we hope you will find our Newsletter informative especially to those in control of the finances for either your Temple Board or Lodge. V. W. Brother Syd Schatzker has touched on a very detailed explanation of some important questions requested this year on the DDGM-L1/13 report and why these items are required by our various government bodies.

As an active member of this Advisory Committee for a number of years, I am truly humbled by the confidence of both the Grand Master and the Deputy Grand Master for the honour to serve our fraternity during these challenging and changing times. I want to personally thank the members of my committee for providing the continuity of this committee by every member from last year agreeing to remain for another year and be active volunteers for our Grand Lodge. Brethren, we are a committee comprised of businessmen, accountants, an actuary and a lawyer all willing to give of their valuable time to provide professional financial advice. We hope our newsletters that are posted on the Grand Lodge Website will become a useful resource for your Lodges. This fifth issue is no exception and we trust it explains the reporting of the necessary documents that our governments require without exception and if you have not been doing them now is better than later due to unwelcome consequences that could happen.

In closing, we thank you Brethren, for taking time to review this and other past newsletters. Our committee is available if "YOU" request our advice with your understanding that each request will be handled with the utmost of professional care and confidentiality. The committee is also anxious to hear from those Treasurers who are successful and are meeting all the reporting requirements. Your success is something that should be acknowledged and shared. Remember we are not a secret society. The members of your Grand Lodge Financial Advisory Committee wish you continued good business practices.

Respectfully submitted:

R.W. Bro. David Armstrong,
Chairman

Masonic Institutions and Income Tax Compliance in Canada

~ V.W. Bro. Sydney Thomas Schatzker

Many lodge secretaries will notice a change in the Form DDGM L1 2013 for this year. For the first time the following questions have been added which, relate to tax reporting in Canada and Ontario.

Which of the following forms were completed and filed for the previous year?

-Form 1(a) – Annual Return under the Corporations Information Act, Ontario

-Form T2 – Corporation Income Tax Return

-Form T1044 – Non-profit Organization NPO Information Return

What are these forms? What is their significance? Who should fill them out and how? What if you don't?

Although not all entities are taxable or considered as persons, some may acquire a considerable amount of assets consisting of cash, investments, real estate etc. and there are concerns about the legal and tax consequences if they are liquidated. Let us examine these forms.

Form 1(a) (Ontario)

This is an information return for Ontario corporations outlining who the directors and officers are, when appointed, replaced or resigned and their residency. It applies to not-for-profit as well as business corporations. As Masonic Lodges are not incorporated, this would mostly likely affect lodge buildings, which are owned by corporations that are structured as either business entities or not-for-profit entities without issued share capital.

For years after December 31, 2008, corporations in Ontario must complete and file Schedule 546, "Corporations Information Act Annual Return for Ontario Corporations" which is submitted with the Federal T2 return to the Canada Revenue Agency within 6 months after the year end.

Responsibility of directors and officers

Where a corporation is guilty of an offence, every director or officer of such corporation who authorized, permitted or acquiesced in such offence is also guilty of an offence and, on conviction, is liable to a fine of not more than \$2,000 or to imprisonment for a term of not more than one year, or to both.

Form T2 – Corporation Income Tax Return (Federal)

All resident corporations must file a federal T2 (tax return) within six months from the end of its fiscal year whether or not it is profitable, tax exempt, inactive or is a non-profit corporation. As these returns are filed electronically and because of the sophistication of the Income Tax Act, you should retain the services of a professional accountant like a CA, CPA or licensed public accountant. In addition, there are penalties for filing paper returns if you are required to file electronically as well as for late filed returns or failure to file returns. In all likelihood, this will involve lodge buildings, which are usually owned by corporations.

A corporation may be liable for tax on its profit and on the sale and disposition of the building; so the directors should seek professional advice if they lack the necessary knowledge.

Form T1044 – Non-Profit Organization NPO Information Return (Federal)

An organization has to file this return whether it is a corporation or unincorporated and this would of course include any lodge that meets the following criteria:

- it received or is entitled to receive , rentals or royalties, taxable dividends, interest totalling more than \$10,000 in the fiscal period; (investment income)
- it owned assets valued at more than \$200,000 at the end of the immediately preceding fiscal period; or
- it had to file a NPO return for a previous fiscal period.

Once you file, even if your status changes, you must always file every year.

You must submit the following information:

- Identification information including tax business number, type of organization, amounts received from all sources categorized during the fiscal year with total, statement of assets and liabilities for the fiscal year, remuneration paid to employees, officers, members, other payments to members, number of members, number of members who received remuneration or other amounts, description of organization's activities, are any activities carried on outside of Canada?, location of books & records, etc.

As you can see there may be a fine line in some cases where a non-profit entity may find that its status has changed and the government wants to monitor this.

- you must file this return no later than 6 months after your fiscal period.
- penalty is \$25.00/day (minimum \$100.00 & maximum \$2,500.00)

Lodge treasurers and the directors and officers of corporations that own and manage lodge buildings should seek professional advice if they have any doubts about their compliance with the above requirements.