



APPLICATION

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 (OITRs) 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.
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.

ENQUIRIES

6. Enquiries should be directed to the local [NPP Accounting Office](#).

DEFINITIONS

7. **Donation** - a monetary gift or a gift of property without valuable consideration, made to NPP, with the aim of serving organizational objectives, by an individual, organization, company, corporation, or other body.
8. **NPP Fundraising** - any action, activity or ways/means that includes a request or the acceptance of solicited and/or un-solicited money (including near cash equivalents) and product-in-kind (products and/or services). NPP Fundraising consists of:
 - a. Donations;
 - b. Sponsorship; and
 - c. Proceeds from fundraising sales.
9. **Proceeds from Fundraising Sales** – is the net profit or a percentage of sales from specific goods to raise funds for an authorized purpose (e.g. goods produced for fundraising purpose, on consignment, cause-related marketing, donated to monetize into proceeds via

auction, activities, etc.).

10. **Product in Kind (PIK)** - is a donation or sponsorship in the form of real property, goods, or services (for sponsorship only) in lieu of cash.
11. **Sponsorship** - a collaborative agreement (contract) between NPP and an external entity, whereby funds, goods, facilities or services are provided to support a particular NPP, or external, Program/Event, in exchange for some appropriate non-monetary benefit of approximately equal value.

POLICY

NPP FUNDRAISING ACCOUNTING AND CONTROL PROCEDURES

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

INCOME TAX IMPLICATIONS – DONATIONS ONLY

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

Note 1: As per CRA's webpage: [Donation of gift certificates or gift cards](#), Official Income Tax Receipts (OITRs) can't be issued for gift certificates or gift cards received directly from the issuer for no consideration. If a person purchases a gift card or gift certificate and then donates it a receipt can be issued.

Note 2: NPP Sponsorship does not meet the criteria of a tax deductible donation - accordingly an official income tax receipt shall not be issued.

17. In most cases, a gift/donation is a voluntary transfer of property without valuable consideration. However, a transfer of property for which you received an [advantage](#) is still considered a gift for purposes of the [Income Tax Act](#) as long as the Canada Revenue Agency (CRA) is satisfied that the transfer of property was made with the intention to make a gift. The fact that you received an advantage will not by itself disqualify the transfer from being a gift when the fair market value (FMV) of the advantage does not exceed 80% of the FMV of the transferred property. For more information, see [Income Tax Folio S7-F1-C1, Split-receipting and Deemed Fair Market Value](#).
18. For donations (gifts) of money or other property to a 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 from a donor corporation, the corporation may qualify for a deduction; an individual donor will be entitled to a tax credit.
19. 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.
20. Instructions for the issuance of Official Income Tax Receipts are detailed at [Annex B](#).

SALES TAX IMPLICATIONS - GST/HST/QST/PST

21. As per [Chapter 8](#) of AFN-105 (Sales Taxes), donations and gifts given to any NPP activity (including donations or gifts to a morale and welfare (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.
22. Conversely, sponsorship revenues (cash and product in kind) are subject to GST/HST/QST - NPP operations' special commercial status for GST/HST/QST applications precludes the entitlement of all public sector exemptions from GST/HST/QST including GST/HST/QST exemption for sponsorship (QST follows GST rules for sponsorship). Sample details can be found within the [Tax Implications – NPP Donations and Sponsorship letter](#).
23. 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 14% (as of 1 April 2025).
24. 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

[Appendix 1](#) Determining the Fair Market Value of a Non-Cash Gift (Donation) – Determining the Fair Market Value of a Non-Cash Gift (Donation)

[Appendix 2](#) – Accounting Entry Examples for NPP Fundraising

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

[Appendix 1](#) – Official Income Tax Receipt Example

[Appendix 2](#) – Donor Listing