

FINANCIAL REPORTING DEVELOPMENTS

Not-for-profit and government organizations

January 15, 2025



Shape the future
with confidence

TODAY'S PRESENTERS



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Session Topics

01 Indirect tax update for registered charities and not-for-profit organizations

02 Income tax update for registered charities and not-for-profits

03 Update on not-for-profit and public sector accounting matters

04 Sustainability disclosure trends

INDIRECT TAX UPDATE FOR REGISTERED CHARITIES AND NOT-FOR-PROFIT ORGANIZATIONS



1A

GST/HST UPDATES



• Temporary GST/HST relief for holiday essentials

- GST/HST not applicable to certain “holiday essentials” from December 14, 2024 to February 15, 2025
- Zero-rated meaning no GST/HST at any level of sale (e.g. manufacture, distributor, retailer, etc) but that the sale is considered to be a taxable supply so ITCs are available on inputs
- Only applies if it is both paid for and delivered/made available from December 14, 2024 to February 15, 2025
- Applies to qualifying goods (see next slide)

• Temporary GST/HST relief for holiday essentials

- Children's clothing, children's footwear, children's diapers, and children's car seats;
- A printed book or an update of a printed book;
- An audio recording of a printed book;
- A bound or unbound printed version of scripture of any religion;
- A composite property (i.e., a package consisting of a printed book and a read-only medium);
- Qualifying (print) newspapers;
- A Christmas tree or a similar decorative tree, whether natural or artificial;
- Select children's toys;
- Jigsaw puzzles for all ages;
- Video game consoles and video game controllers for such consoles;
- Physical video game media, such as a video-game cartridge or disc;
- Food and beverages (other than cannabis products) that are currently excluded from zero-rating under Schedule VI, Part III, section 1 of the ETA, such as sodas, candies, and snack foods; and
- Eligible alcoholic beverages.

• Purpose-built rental housing rebate

- Legislation including regulations now passed
- Participating provinces are aligned:
 - ON, Nfld/Labrador, NS are completely aligned
 - PEI limit up to \$35,000 and 10% reduction of the limit per year
 - NB - announced on December 9 that they will align but would apply to construction beginning between November 15, 2024 and December 31, 2027 that is substantially completed by December 31, 2029 (shorter period than for federal rebate)
- Expanded for student residences where builder is a university, college or school authority operated otherwise than for profit:
 - No requirement for 12-month expected occupancy
 - Draft legislation and regulation - consultation period ending January 20, 2025

• Purpose-built rental housing rebate (cont'd)

- Temporary measure to provide 100% of the GST/federal portion of HST rebate on new rental units
- No limit - for regular rebate the limit is \$450K and starts to decrease after value of \$350K
- Regular rebate is 36% of the GST
- Temporary - construction starts after September 13, 2023 but before 2031 and is substantially completed before 2036
- Public service bodies now eligible for the rebate. In past if they were eligible for the PSB rebate they could not claim this rebate.
- Must be in a building with at least:
 - 4 private apt units (e.g. with their own kitchen, bathroom and living areas), or
 - At least 10 private rooms or suites for students, seniors or people with disabilities [can have shared bathroom(s) and kitchen(s)]
 - And at least 90% of the residential units must be designated for long-term rental
- Could apply to complexes converted from non-residential to residential use
- Units must qualify under the existing rebate provisions. Includes:
 - Must be primary place of residence
 - Expected that occupant will reside for at least 1 year

• Purpose-built rental housing rebate (cont'd)

Implications for NFPs

- Will need to track purchase/self-assessment separately as this will be separate from the PSB rebate
- If NPO is the builder then it should register for GST/HST and claim ITCs on construction cost then self-assess based on FMV at the later of substantial completion and the first tenant receiving possession. Claim rebate at the same time.
- Updated draft legislation for universities, public colleges and school authorities that build residences

• Exemption for Psychotherapists' and Counselling Therapists' services

- Psychotherapy and counselling therapy to become exempt when rendered by a licensed provider
- Announced in fall economic statement and legislation drafted and released November 27, 2023
- Effective as of June 20, 2024

• ITC documentary requirements

- Budget 2021 announced measures to change thresholds from \$30 to \$100 and \$150 to \$500 for documentary requirement.
 - Passed in 2024 but effective April 20, 2021 (budget date)

- GST/HST ITC documentation requirement

Information required	Total sale under C\$100	Total sale between C\$100-\$500 inclusive	Total sale of C\$500 or more
Name of supplier	X	X	X
Invoice date	X	X	X
Amount paid or payable	X	X	X
Amount of tax paid or statement that the price includes GST		X	X
Supplier's GST/HST number*		X	X
Recipient's name			X
Description of the goods or services			X
Terms of payment			X

PSB rebate rate increases and HST rate reductions

- Nova Scotia announced plans to reduce the provincial component of the HST from 10% to 9% effective April 1, 2025.
- Effective April 1, 2024 the PSB rate for New Brunswick school authorities, public colleges and hospital authorities became 100% on the provincial portion (from 0%). However, this basically replaced a 100% government rebate that was available to these organizations.
- On August 2, 2023, Regulations Amending Various GST/HST Regulations, No. 12 were published in Part II of the Canada Gazette. The regulations give legal effect to Prince Edward Island's decision to increase the rebate rate of the provincial component of the HST for charities and qualifying non-profit organizations (NPOs) from 35% to 50%, effective as of January 1, 2023. This change was announced in the province's 2022-23 budget tabled on February 24, 2022 and later confirmed in a Prince Edward Island Department of Finance news release dated December 20, 2022.

A woman with curly hair, wearing a black dress and large hoop earrings, is smiling and pointing with a pen at a presentation screen. The screen displays a bar chart and a line graph. The background is a blurred office setting with blue lighting and bokeh effects.

1B

KEY AUDIT ISSUES

• Key audit issues

Documentation

- For rebates and ITCs
- For exempt or zero-rated sales
- For ITC allocation models

Self-assessment

- Imported goods - provincial portion of HST
- Imported services and intangibles

Determining accurate tax status (taxable, exempt, zero-rated)

- Grants

Tax collected in error by charities

INCOME TAX UPDATE FOR REGISTERED CHARITIES AND NOT-FOR-PROFIT ORGANIZATIONS

• Income tax update - Agenda

Registered Charities

- Legislative update
- CRA guidance update
- Recent changes to the T3010 Information Return

Not-for-Profit Organizations (NPOs)

- Legislative update
- Recent CRA Interpretations

General tax matters

- Update on Alternative Minimum Tax (AMT) changes
- Update on Trust reporting (T3 Return) requirements

2A

REGISTERED CHARITIES



- Registered charities
Legislative update

Extension of 2024 charitable donations to February 28, 2025

- On December 30, 2024, the government announced its intention to amend the *Income Tax Act* to “extend the deadline for making donations eligible for tax support in the 2024 tax year, until February 28, 2025”

- The aim of this measure is to mitigate the impact of the recent Canada Post mail stoppage on year-end donations received by charities

- The government intends to table legislation effecting these changes when Parliament returns

Registered charities

Legislative update - continued

Budget 2024 proposed measures

Simplification of official donation receipt requirements

- Certain information will no longer be required on official donation receipts
 - Place of issuance of the receipt
 - Name and address of the appraiser of donated property (where applicable)
 - Middle initial of the donor

Spoiled receipts

- The term “Void” may be used as an alternative to “Cancelled”
- Storing duplicate copies of cancelled receipts will no longer be required (a single copy is sufficient)

Electronic receipts

- Now expressly permitted in the legislation (previously allowed administratively)
- Must contain all required information
- Must be issued in a secure and non-editable format
- Issuer must maintain an electronic copy

Registered charities

Legislative update - continued

Budget 2024 proposed measures - continued

Changes applicable to foreign charities registered as qualified donees

- Expansion of eligibility period as a qualified donee from 24 to 36 months
- New requirement introduced for registered foreign charities to file an annual information return
- Penalties will apply for late / non-filing of the information return

Simplification and modernization of CRA administrative services for charities

- CRA will be permitted to communicate certain official notices electronically
- Publication of charitable registration revocation notices on a government webpage will be permitted, rather than in the Canada Gazette
- Process changes around filing certain objections

Registered charities

Legislative update - continued

Budget 2024 proposed measures - continued

Amendments to information gathering provisions applicable to all taxpayers - including registered charities

- Expanded CRA audit and information gathering powers
 - Notice of non-compliance: New type of notice may be issued to a person that has not complied with a requirement or notice to provide the CRA with assistance or information
 - Penalty of \$50 for each day that a notice is outstanding, up to a maximum of \$25,000
- Questioning under oath: CRA will be permitted to include in a requirement or notice that any required information (oral or written) or documents be provided under oath or affirmation
- Compliance orders: A penalty of 10% of the aggregate tax payable by a taxpayer is imposed when the CRA obtains a compliance order against a taxpayer and the tax owing is in excess of \$50,000

- Registered charities
CRA guidance update

CG-029 - Relief of poverty and charitable registration

- Revised October 23, 2024
- Expanded details and examples on how charities can provide affordable housing
 - e.g., how charities can determine whether a person or household is eligible for affordable housing
- Information on the new rules for making grants to non-qualified donees
- Updated terminology

- **Registered charities
CRA guidance update - continued**

CG-032 - Registered charities making grants to non-qualified donees

- Issued December 19, 2023
- Relates to the “qualifying disbursements regime” introduced in 2022 under which charities are now permitted to make resources available to grantee organizations that are not qualified donees, subject to certain requirements
- The Guidance document outlines:
 - Recommended “due diligence” model
 - Extensive accountability, documentation, and reporting requirements
 - Special topics including prohibition on accepting directed gifts / “acting as a conduit”

Registered charities

Recent changes to the T3010 Return

Section C – Programs and General Information



Question C2 – Description of ongoing and new programs

- Describe types of organizations supported through qualifying disbursements made by the charity, if applicable



Question C4 – Activities outside of Canada

- Disclosure clarified regarding foreign activities - i.e., this question excludes making qualifying disbursements to persons / organizations outside of Canada
- Similar scope for Schedule 2, *Activities outside Canada*



Question C16 – Grants to non-qualified donees

- This section, along with form T1441, relates to disclosure of “grants” (gifts) made to non-qualified donees, under the new qualifying disbursements regime



Question C17 – Disbursement quota

- Charities must indicate whether, in the 24 months before the beginning of the fiscal period, the average value of property not used directly in charitable activities or administration exceeded certain thresholds
- If yes, Schedule 8 is applicable



Question C18 – Donor advised funds

- New reporting required for DAFs
- Total number and value of accounts
- DAF donations received
- Qualifying disbursements made

Registered charities

Recent changes to the T3010 Return - continued

Schedule 1 - Foundations (for Foundations only)

Schedule 1, Question 3a

- Disclosure of the total value of all **restricted funds** held at the end of the fiscal period
- CRA definition of restricted funds: *"generally those where a funder (including a donor, grantor, lender, or payer) limits how the funds can be spent. This means the funds are not available for the foundation to use at its sole discretion."*

Schedule 1, Question 3b

- The amount of **restricted funds** that the foundation was not permitted to spend due to a funder's specific written trust or direction
- i.e., where a funder requires the foundation to preserve the capital (principal), and the foundation is only permitted to spend the income

Tip:

Review nature of all funds held in light of the CRA definition, not only those disclosed as "restricted funds" for financial statement reporting purposes

Registered charities

Recent changes to the T3010 Return - continued

Schedule 6 - Detailed financial information



New lines 4101 and 4102 - Cash, bank accounts, and short-term investments

- Total cash, bank accounts, and short-term investments reported on line 4100 segregated into 2 new separate lines
- Exclude investments in non-arm's length persons from these amounts (line 4130)



New lines 4157 and 4158 - Land and buildings in Canada

- Segregation of total land and buildings amount reported on line 4155
- Line 4157: Land and buildings used in charitable programs or administration
- Line 4158: Other land and buildings



New lines 4190 and 4576 - Impact investments

- Impact investments reported on line 4190
- Interest / investment income therefrom reported on line 4576
- "Investments in companies or projects with the intention of having a measurable positive environmental or social impact and generating a positive financial return."



New line 4577 - Non-arm's length investment income

- Separate disclosure of interest and investment income from persons not at arm's length now required
- Amount is still included in total reported at line 4580



Line 5045 - Grants made to all non-qualified donees

- Total gifts/grants made to non-qualified donees under the new qualifying disbursement regime
- Total of grants over \$5k reported on T1441 plus grants under \$5k reported in Section C16 - line 5843

Registered charities

Recent changes to the T3010 Return - continued

Schedule 8 - Disbursement quota

Step 1 - Disbursement quota requirement for the current fiscal period

- Current year spending requirement and disbursement quota excess or shortfall calculation
- Information is pulled from other sections of the return

Step 2 - Estimated disbursement quota requirement for the next fiscal period

- Next year's spending requirement calculation is based on line 5910 of the return

Tip:

Charities should separately maintain a schedule of historical disbursement quota excesses and shortfalls on a rolling 5-year basis

This information is not tracked on Schedule 8 but may be requested by CRA upon review

A woman with curly hair, wearing a black dress and large hoop earrings, is smiling and pointing with a pen at a presentation screen. The screen displays a bar chart and a line graph. The line graph is labeled "Branding 'W'" and shows a significant increase, with a label "+45%". The background is a blurred office setting with blue lighting and bokeh effects.

2B

NOT-FOR-PROFIT ORGANIZATIONS (NPOS)

• Not-for-profit organizations

Reminder of legislative criteria to retain tax-exempt status

- Under paragraph 149(1)(l) of the Income Tax Act, a club, society or association must meet certain tests annually to retain tax-exempt status as an NPO:



* **exclusively** for social welfare, civic improvement, pleasure or recreation, or for any other purpose except profit

- Not-for-profit organizations
Legislative update

2024 Fall Economic Statement proposals

- Proposed expansion of annual T1044 Non-Profit Organization Information Return filing requirement
 - The total of all amounts received or receivable in the fiscal period for taxable dividends, interest, rentals, and royalties is more than \$10,000

OR

- The total assets at the end of the immediately preceding fiscal period exceeded \$200,000

OR

- The NPO had to file a T1044 Information Return for a preceding fiscal period

OR

- The NPO has total gross revenues over \$50,000 in the fiscal period



- **Not-for-profit organizations**
Legislative update - continued

2024 Fall Economic Statement proposals

- Proposed new filing requirement for small NPOs
 - NPOs that do not meet the filing requirements for the T1044 Information Return will be required to file a new, short-form return to disclose certain basic information, including:
 - Business number or trust number
 - Name of organization
 - Mailing address
 - Names and addresses of the directors, officers, trustees, or similar officials
 - Description of activities and whether activities are conducted outside of Canada
 - Total assets, liabilities, and annual revenues
 - Other prescribed information
 - If enacted, these new filing measures will apply to the 2026 and subsequent taxation years

- **Not-for-profit organizations**
Recent CRA Interpretations

CRA External Interpretation 2022-0944461E5: NPO – Residential housing co-operative

- Principal issue
 - Would renting the common areas of a housing co-operative to third parties (e.g., filming companies) indicate a profit purpose that would jeopardize the co-operative's status as a tax-exempt NPO under paragraph 149(1)(l) of the ITA?
- Facts and assumptions provided
 - The residential housing co-operative earned modest revenue from providing laundry services for use by the residents
 - The co-operative was considering renting the common areas to third parties which it expects will result in considerable profits

- **Not-for-profit organizations**
Recent CRA Interpretations - continued

CRA External Interpretation 2022-0944461E5 - Continued

- CRA's position and reasons
 - To be a tax-exempt NPO, an organization must be organized and operated exclusively for any purpose except profit
 - The CRA referenced the 1979 Tax Court of Canada case *Tourbec Inc. v MNR*, where the court found the word "exclusively" must be given its full effect
 - It is not sufficient that an NPO be organized and operated "mainly or primarily or chiefly" for any purpose except profit
 - The use of the word exclusively indicates that while an organization may have many purposes, none of those purposes can be to earn a profit, even if it expects to use or actually uses that profit to support its not-for-profit objectives
 - Exception: incidental profits that are not significant and arise directly from activities connected to its NPO objectives

- **Not-for-profit organizations**
Recent CRA Interpretations - continued

CRA External Interpretation 2022-0944461E5 - Continued

- CRA's position and reasons, continued
 - Revenues from the laundry services were modest and directly connected to the co-op's NPO objectives
 - The laundry activity likely does not negatively impact the NPO's tax-exempt status
 - Revenues from third-party rental of common areas are not incidental, and the activity is not directly connected to its NPO objectives
 - The third-party rental activity is likely to negatively impact the NPO's tax-exempt status
- Summary
 - Even if the co-operative was an NPO prior to renting its common areas, it would not continue to be a tax-exempt NPO after this activity commenced
 - This is the case whether the rental is carried out directly by the entity, or indirectly through a taxable subsidiary

- **Not-for-profit organizations**
Recent CRA Interpretations - continued

CRA External Interpretation 2022-0953121E5: Taxable subsidiary of a 149(1)(l) entity

- Principal issue
 - Would an organization (“ABC Co”) that otherwise qualified for the NPO tax exemption under pgh. 149(1)(l) continue to qualify if it transferred some of its assets to a taxable subsidiary (“Sub Co”)?
- Facts and assumptions provided
 - ABC Co will transfer assets, primarily intellectual property, to a taxable corporation
 - Three ownership scenarios were provided for CRA’s consideration
 - ABC Co has voting control of Sub Co (Sub Co is a subsidiary of ABC Co)
 - ABC Co does not have voting control of Sub Co
 - ABC Co takes back fixed-value preferred shares of Sub Co in exchange for the transfer of assets
 - Sub Co’s activities have the potential to generate income in excess of ABC Co’s current operational needs and are expected to generate a surplus

- **Not-for-profit organizations**
Recent CRA Interpretations - continued

CRA External Interpretation 2022-0953121E5: Taxable subsidiary of a 149(1)(l) entity - continued

- CRA's position and reasons
 - Similar reasons provided by CRA as in 2022-0944461E5 (i.e., use of "exclusively" in the NPO legislation does not permit an NPO to have a profit purpose, although it may earn incidental profits from activities connected to its NPO objectives)
 - The fact that ABC Co incorporates and holds the shares of a taxable subsidiary will not, in itself, cause ABC Co to lose tax-exempt status
 - However, if ABC Co holds shares to earn income from property, and the income from the shares (i.e., dividends) is not incidental and does not arise from activities directly connected to its NPO objectives, ABC Co will be considered to have a profit purpose
 - This will be the case even if ABC Co uses the income from holding the shares in furthering its NPO objectives

- **Not-for-profit organizations**
Recent CRA Interpretations - continued

CRA External Interpretation 2022-0953121E5: Taxable subsidiary of a 149(1)(l) entity - continued

- CRA's position and reasons
 - An NPO's investment in a taxable corporation will indicate a profit purpose where:
 - The taxable corporation's activities are not connected to the NPO's objectives
 - The NPO does not control the organization
 - The NPO holds fixed-value preferred shares of the taxable corporation, OR
 - Other shareholders have invested in the taxable corporation to earn a profit
- Summary
 - Even if the ABC Co was a tax-exempt NPO prior to investing in Sub Co, it would not continue to be a tax-exempt NPO as the Sub Co investment appears to have been made to earn income from property

2C

GENERAL TAX MATTERS



- General tax matters

Update on Alternative Minimum Tax (AMT) changes

2024 Federal budget updated amendments to the proposed AMT changes introduced in the 2023 Federal budget

- What is AMT?
 - A basic income tax calculated on a simplified computation of taxable income that targets high-income individuals and certain trusts
- 2023 Federal budget proposals
 - Expansion of the AMT base
 - Increase the basic Federal AMT rate from 15% to 20.5%
 - Increase the basic AMT exemption amount from \$40,000 to approximately \$173,000 (in 2024)

• General tax matters

Update on Alternative Minimum Tax (AMT) changes - continued

- Measures in 2023 Federal budget proposals that may impact donors
 - Decrease in the amount of charitable donation tax credit allowed in computing the AMT from 100% to 50%
 - Increase from 0% to 30% in the capital gains inclusion rate used in calculating the AMT base for donated publicly-listed securities
- 2024 Federal budget updated amendments with respect to donors
 - Charitable donation tax credit for AMT purposes will be revised to 80% rather than 50% under the initial proposals
 - No relief announced with respect to the increase from 0% to 30% in the capital gains inclusion rate used in calculating the AMT base for donated publicly-listed securities
 - See EY's [Tax Alert 2024 Issue No. 25](#) for more information

- General tax matters

Update on trust reporting (T3 Return) requirements

Trust reporting – overview

- Amendments to the tax rules in December 2022 expanded the T3 Return filing requirement for certain express trusts, starting in 2023
 - Additional disclosure of beneficiaries, trustees, and other persons
 - Significant new penalties apply for failing to file a return if required, or if false statements or omissions are knowingly made in a return
- Late in 2023, the Charities Directorate clarified charities are not required to file T3 returns in respect of internal express trusts (e.g., endowments and other restricted funds) for tax years ending on or after December 31, 2023
- This relief only applies in respect of **internal express trusts** held by **registered charities**

- General tax matters
Update on trust reporting (T3 Return) requirements - continued

Potential impact on registered charities and NPOs

- Registered charities may have filing requirements with respect to bare trust arrangements or other trust arrangements (other than internal trusts)
- Non-profit organizations that are not registered charities may have filing requirements with respect to internal trusts, and other trusts arrangements including bare trust arrangements
- Significant failure to file penalties can apply - greater of \$2,500 or 5% of the value of the trust property

- General tax matters
Update on trust reporting (T3 Return) requirements - continued

Potential impact on registered charities and NPOs - continued

- Proposed modifications announced in August 2024 expand the list of express trusts that are exempt from the enhanced trust reporting requirements to include smaller trusts without a corporate trustee, a corporate beneficiary, and holding only certain types of assets with total value of \$250,000 or less
 - Some smaller trusts that filed in 2023 may not be required to file a return in 2024 or future years
 - Note that these proposals are not yet enacted
 - See EY's [Tax Alert 2024 Issue No. 44](#) for more information

- General tax matters
Update on trust reporting (T3 Return) requirements - continued

Bare trust reporting

- What is a bare trust?
 - A legal owner of property holds the property and acts as agent for persons or partnerships that have the use of, or benefit of, the property (the “beneficial owners”)
 - Commonly used to hold legal title to real estate by an entity other than the beneficial owner
- What happened with bare trust reporting in 2023?
 - Significant uncertainty around whether specific arrangements were considered bare trusts
 - Many taxpayers involved with bare trusts filed T3 Returns, which were due at the end of March 2024
 - On March 28, 2024, CRA announced an administrative exemption **for bare trusts only** with respect to the 2023 T3 Return filing requirement

- General tax matters
Update on trust reporting (T3 Return) requirements - continued

Bare trust reporting - continued

- Are 2024 T3 Returns required for bare trusts?
- On October 29, 2024, CRA announced a continuation of the 2023 filing relief for bare trusts for the 2024 year, unless CRA makes a direct request for such filings

- General tax matters
Update on trust reporting (T3 Return) requirements - continued

Bare trust reporting - continued

- Are 2025 T3 returns required for bare trusts?
 - Relief from new requirements is expected to end after 2024
 - T3 Returns for bare trusts are expected to be required for 2025
 - August 2024 proposals reduce the number of bare trusts that must file T3 Returns, where certain conditions are met

Tip:

Identify bare trust arrangements and review potential T3 filing requirements in 2025

Due date for 2025 T3 Returns is the end of March 2026

UPDATE ON NOT-FOR-PROFIT AND PUBLIC SECTOR ACCOUNTING MATTERS



Update of not-for-profit and public sector accounting matters - Agenda

ACCOUNTING STANDARDS FOR NOT-FOR-PROFITS (ASNPO & ASPE) UPDATE

Approved standards and amendments

- Update on upfront non-refundable fees or payments (Section 3400, Revenue)
- Customer's accounting for cloud computing arrangements (AcG-20)
- Accounting for life insurance contracts with cash surrender value (AcG-21)
- IBOR reform

Active projects

- Contributions - revenue recognition and related matters
- Improvements to 4450: reporting controlled and related entities
- Scaling the standards
- Other active projects

PUBLIC SECTOR ACCOUNTING STANDARDS (PSAS) UPDATE

Approved standards and amendments (PSAS)

- New conceptual framework
- New reporting model (PS 1202)

Active projects

- Government not-for-profit strategy
- Employee benefits
- Intangible assets

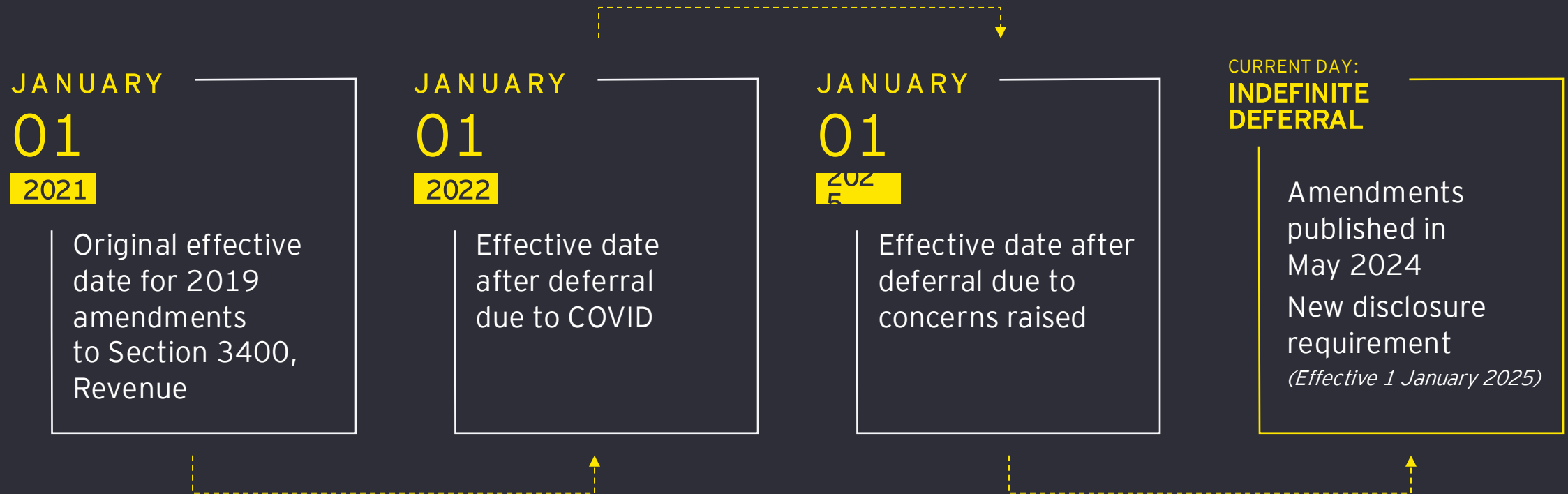
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ACCOUNTING STANDARDS FOR NOT-FOR-PROFITS (ASNPO & ASPE)

APPROVED STANDARDS AND
AMENDMENTS



- Upfront non-refundable fees or payments (Section 3400, Revenue) – update to effective date



“

An enterprise shall disclose the nature and amount of upfront non-refundable fees or payments recognized in revenue when the enterprise recognizes the fee or payment in revenue upon entering into the arrangement.

• ACG-20 Customer's accounting for cloud computing arrangements

- Does NOT address tangible elements of a cloud computing arrangement (e.g. PPE, leased assets)

Optional simplification approach:

Expenditures related to the elements in an arrangement within the scope of AcG-20 are expensed as incurred.

- If simplification approach is NOT applied → AcG-20 guidance for determining whether there is a software intangible asset
 - If YES, capitalize directly attributable expenditures on implementation activities

Accounting policy choice for expenditures on implementation activities for a software service:

- Capitalize expenditures when the arrangement is a software service (i.e., no intangible asset exists) and present such costs as a separate asset; or
- Continue to expense as incurred expenditures in accordance with existing requirements in Section 3064, Goodwill and intangible assets

• Simplification approach (optional)

Recognize expenditures on goods as an expense when it has the right to access those goods



Recognize expenditures on services as an expense when the services are received



**Expenditures are expensed as incurred
(Section 3064.52-.54)**



Recognizing a prepayment as an asset is not precluded when payment for the delivery of the goods or services has been made in advance of the enterprise receiving the goods or services.



- Accounting policy choice
- Enterprises to disclose if they apply the simplification approach
- Section 1506.06(b) does not apply

Accounting for cloud computing arrangements (AcG-20)

When not applying the simplification approach:

- Entity must determine if a software element is a software intangible asset [Section 3064]

01



Identifiable

Software arises from a contractual right, so generally met

02



Future economic Benefits

Benefits would flow to the enterprise from the use of the software, so generally met

03



Control

AcG-20.17: A software element is controlled by the enterprise if it has the contractual right to obtain the software without significant penalty and it is feasible for the enterprise to run the software on its own or on a third party's infrastructure.

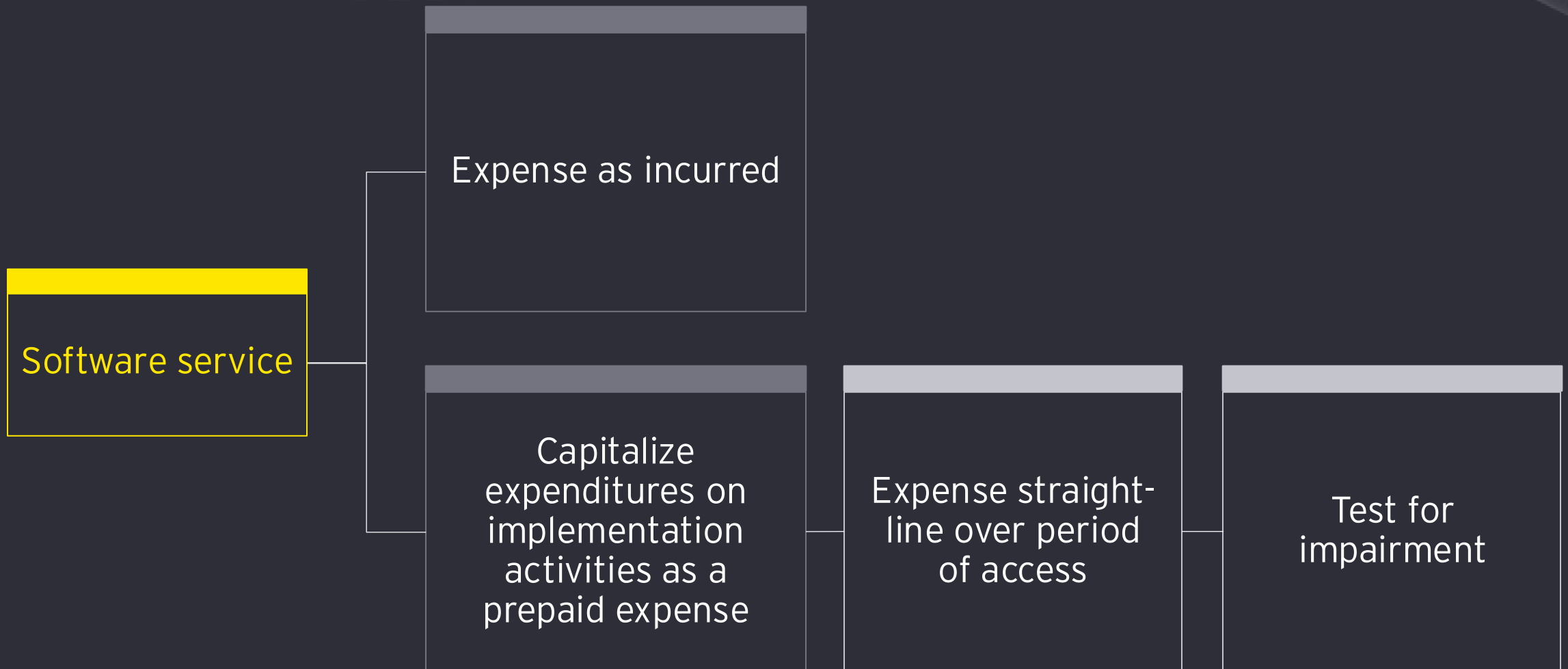
If these criteria are not met, or if Section 3064 intangible asset recognition criteria are not met, then the software element is recognized as a **software service**

- The fee allocated to the software service shall be expensed as incurred in accordance with Section 3064.52-54 / AcG-20.20.

- Implementation activities (software intangible asset)



- Implementation activities (software service)



• Implementation activities – subsequent expenditures

Expenditures that are...	Accounting treatment
Directly attributable to enhancing the service potential of a software intangible asset	■ Included in the carrying amount of the software intangible asset
Directly attributable to enhancing the service potential of a software service	■ Included in the carrying amount of the asset that was recognized in accordance with paragraph 24(b) [ie. the capitalized expenditures on implementation activities]
Maintenance activities	■ Expensed as incurred

“Enhance the service potential” may include:

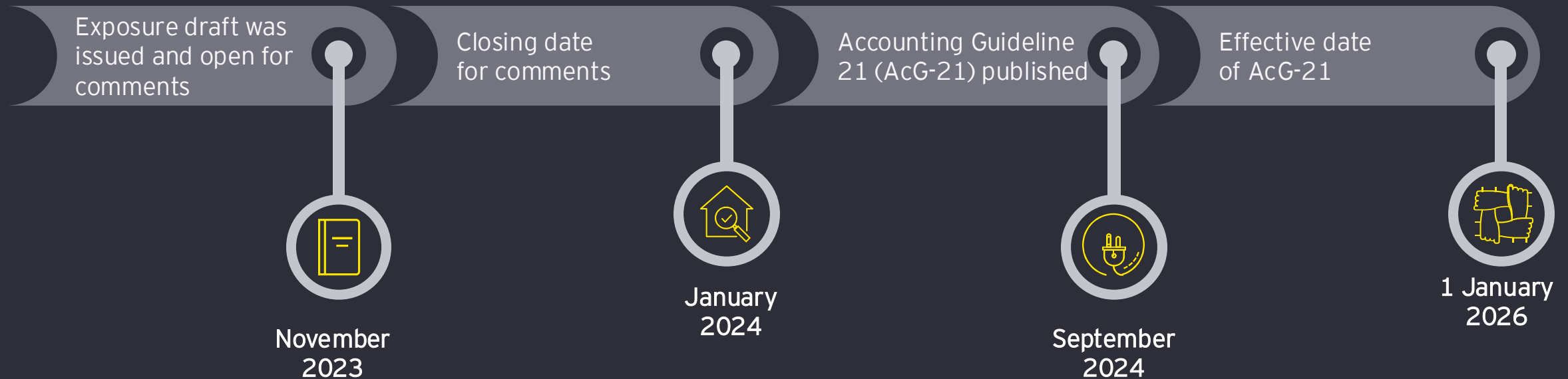
- Increasing the previously assessed service capacity
- Extending the useful life or expected period of access to the software service
- Improving the quality of the output

ACG-21 Accounting for life insurance contracts with cash surrender value

ASPE previously did not address accounting for cash surrender value (CSV) of a life insurance contract.

The new AcG provides guidance on:

- Recognition and measurement of CSV in a life insurance policy
- Presentation and disclosure of policy premiums and change in CSV



• Main Features of ACG-21

Recognition

Requires recognition as an asset the cash surrender value of a life insurance policy when the enterprise becomes **owner and beneficiary** of the underlying insurance contract

Measurement

Measure cash surrender value at the amount that would be immediately realized upon termination of the policy prior to the death of the insured as provided by the issuer of the policy

Presentation

Requires presentation of policy premiums and changes in cash surrender value on a net basis:

- Net debit is presented as expense
- Net credit is presented as income

Disclosure

If not separately presented on statement of financial position, the carrying amount of aggregate CSV for all insurance policies with CSV, and statement of financial position caption that includes CSV

If not separately presented on statement of operations, the caption that includes the change in CSV

Effective date and transitional provisions



AcG-21 applies to
annual periods
beginning on or after 1
January 2026



Earlier application
is permitted



Retrospective application,
but only to life insurance
policies that exist and have a
CSV on or after the beginning
of the earliest period presented

• IBOR reform – background

Discontinued

LIBOR

(London Interbank Offered Rate)

CDOR

(Canadian Dollar Offered Rate)

BA

(Bankers' Acceptance) rate

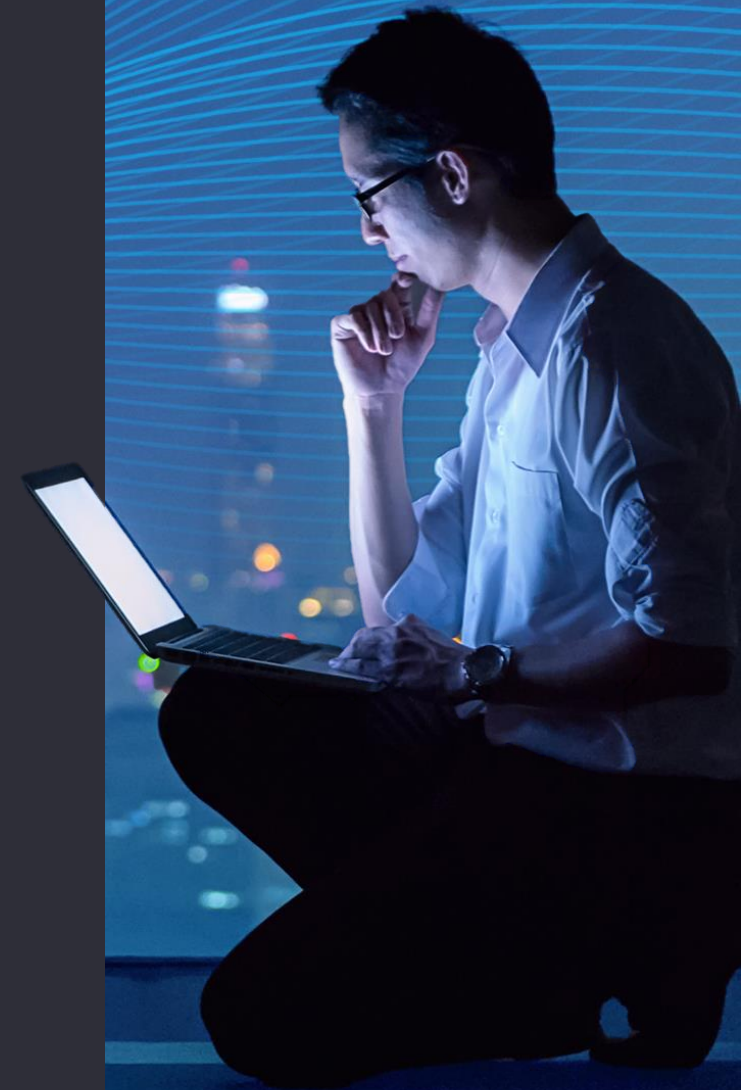
New

LIBOR

(Secured Overnight Funding Rate)

CORRA

(Canadian Overnight Repo
Rate Average)



• Debt modification – optional practical expedient

Amendments only apply to debt instruments issued in an **arm's length transaction** that reference interest rate benchmarks expected to be replaced with an alternative benchmark interest rate as a direct consequence of IBOR reform

Use of optional expedient – account for debt modifications that are related to IBOR reform as a continuation of the existing contract and not as an extinguishment

- If other terms are contemporaneously modified in a manner that changes, or has the potential to change, the amount or timing of contractual cash flows, first apply the optional expedient to those modifications which are related to the replacement of IBOR with an alternative benchmark rate. Then apply the normal “10% test” to the other changes.
- This optional expedient for debt modifications would be applied consistently for all eligible debt contracts

• Hedge accounting – mandatory exceptions

Applicable hedging relationships with hedge accounting elected:

- An interest-bearing asset or liability hedged with an interest rate swap to mitigate the effect of changes in interest rates
- A foreign currency denominated interest-bearing asset or liability hedged with a cross-currency interest rate swap to mitigate the effect of changes in interest rates and foreign currency exchange rates

Changes to the critical terms that are directly related to IBOR reform would not result in the discontinuation of the hedging relationship.

- Continue applying hedge accounting to existing hedging relationships only if all changes made to the contractual terms of a hedging item or a hedged item are directly related to the replacement of IBORs – critical terms of the hedging item and the hedged item need to continue to match after the changes are made
- Update hedge documentation to reflect the changes to the hedging item, the hedged item and the description of the specific risk exposure being hedged
- Prospectively cease applying the exception once all changes related to the replacement of IBORs have been made to the hedged item and hedging item

Disclosures

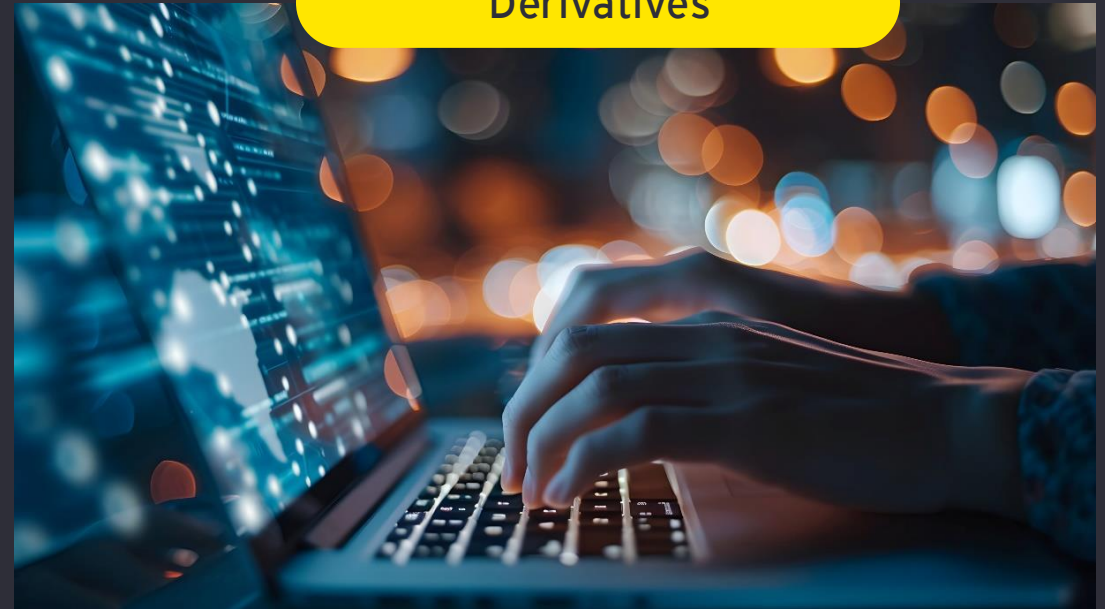
ASPE 3856.54A requires the disclosure of the following items that are subject to IBOR reform:

Financial instruments



Nature carrying amount

Derivatives



Notional amount



3B

ACCOUNTING STANDARDS FOR NOT-FOR-PROFITS (ASNPO & ASPE)

ACTIVE PROJECTS

• Contributions – revenue recognition and related matters

Exposure draft issued on “Contributions – Revenue Recognition and Related Matters”

- Make improvements to the existing contribution revenue recognition methods (the restricted fund method and deferral method);
- Clarify certain definitions related to the accounting for contributions;
- Make improvements to the accounting for special types of contributions, including endowments, capital asset contributions, and contributed materials and services; and
- Enhance presentation and disclosure requirements to provide better information to financial statement users.

Current status

- The AcSB approved a revised project plan for new exposure draft in May 2024
- The AcSB is gathering input to help develop a new exposure draft

• Improvements to 4450: reporting controlled and related entities

Project to improve “Reporting Controlled and Related Entities”

- Amending Section 4450 to improve the disclosures related to controlled and related entities;
- Introducing illustrative examples to assist in the application of the definitions of control, significant influents, and economic interest in not-for-profit organizations in Section 4450; and
- Revisiting current definitions of control, significant influence, and economic interest held in not-for-profit organizations, if necessary, based on any relevant learnings gained from the development of illustrative examples.

Current status

- The AcSB approved a project to make improvements to Section 4450 in March 2024
- The AcSB approved the use of a consultation paper before developing a proposal for inclusion in a future exposure draft

• Scaling the standards

Consultation paper issued on “Exploring Scalability in Canada”

- Some frameworks too complex or onerous
- Some frameworks not sufficiently meeting users’ needs

Exploring scaling the standards for non-listed entities to better meet different user needs

- Accounting policy choices
- Disclosure requirements
- New frameworks

Current status

- Comment period closed July 2023
- AcSB deliberated feedback received and has decided to undertake a detailed review of accounting Standards for Private Enterprises (ASPE)
- The project was approved in January 2024 and the AcSB expects to issue a consultation paper in early 2025

• Other active projects



Evaluating the preface
(research phase)



Financial statement
concepts
(research phase)



Subsequent measurement of
goodwill and intangible assets
(developing proposals to include
in an exposure draft)



3C

PUBLIC SECTOR ACCOUNTING STANDARDS (PSAS) UPDATE

APPROVED STANDARDS AND
AMENDMENTS

• New conceptual framework



The new conceptual framework applies to annual periods beginning on or after 1 April 2026*



Earlier application is permitted



Prospective application

* When developing a new entity developed accounting policy or changing an existing entity developed accounting policy after December 2022, the new conceptual framework must be applied in accordance with PS 1150.28 -.29 and PS2120.38-.39 respectively.

New conceptual framework

The main components of this Conceptual Framework include:



Characteristics of public sector entities



Objective of financial reporting



Primary users of financial reporting



Expectations of those users



Role of the financial statements



Financial statements foundation and objectives



Qualitative characteristics of information and related considerations



Definitions of elements



General recognition and derecognition criteria



General measurement concepts



General presentation concepts

Superseded standards:



PS 1000 Financial Statement Concepts



PS 1100 Financial Statement Concepts

• New conceptual framework

What's new

Introduces the concepts of:

- financial reporting objective, primary users and the broad financial reporting accountabilities
- service capacity
- derecognition
- presentation

It updates:

- characteristics of public sector entities financial statement objectives
- qualitative characteristics of financial information and related considerations
- element definitions
- measurement attribute

It clarifies the:

- foundation of the conceptual framework
 - financial statement foundations
 - going concern presumption
- It relocates the recognition exclusions.

• New conceptual framework

What should public sector entity consider in their assessment the implementation effort:



Do you have entity
developed
accounting policies?

If yes, how many and are
they in line with the new
conceptual framework?



Are your note disclosures
aligned with the
presentation concepts

• New reporting model (PS 1202)



Effective for periods
beginning on or after 1 April
2026



Earlier adoption
is permitted only if the
Conceptual Framework is also
adopted at the same time.



Prior period amounts need to be
restated to conform to the
presentation requirements for
comparative financial
information

At this time, GNFPs continue to follow PS 4200 financial statement presentation by not-for-profit organizations.

New reporting model (PS 1202)

Statement of financial position

What is different?

- The statement is restructured
- Net debt is relocated to its own statement
- New categories of financial and non-financial liabilities:
 - A financial liability is a liability that is expected to be settled using existing or future financial assets
 - A non-financial liability is a liability that does not meet the definition of a financial liability
- Third component of net assets added named "Accumulated Other"
- An entity may choose to report the net financial assets or net financial liabilities indicator on the statement of financial position

Statement of financial position		
As at March 31		
	2026	2025
Financial assets	xx	xx
Non-financial assets	xx	xx
Total assets	xx	xx
Financial liabilities	xx	xx
Non-financial liabilities	xx	xx
Total liabilities	xx	xx
Net assets (net liabilities) is composed of:	xx	xx
Accumulated surplus (deficit)	xx	xx
Accumulated remeasurements	xx	xx
Accumulated other	xx	xx
Net financial liabilities (financial assets minus financial liabilities, refer to the Statement of Net Financial Liabilities)	xx	xx

New

New

Optional

New reporting model (PS 1202)

Statement of changes in net assets (net liabilities)

What is different?

- This is a new statement showing the reconciliation of beginning and ending balance of each component of net assets
- Most revenues/expenses will flow through the surplus (deficit)
- Only PSAB can designate a revenue or expense to be recognized in accumulated other or accumulated remeasurements

Statement of changes in net assets (net liabilities)		
For the year ended March 31		
	New	
Accumulated surplus (deficit)		
Surplus (deficit)	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Accumulated remeasurements		
Unrealized gains on portfolio investments	xx	xx
Less: Net realized gains on portfolio investments reclassified to surplus	(xx)	(xx)
Net change in accumulated remeasurement gains	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Accumulated other	xx	xx
Change in accumulated other	xx	xx
Opening balance	xx	xx
Ending balance	xx	xx
Total net assets (net liabilities)	xx	xx

New reporting model (PS 1202)

Statement of changes in net financial assets (net financial liabilities)

What is different?

- This is a new statement showing account for the difference between financial assets and financial liabilities and report the net financial assets or the net financial liabilities indicator of financial position
- Option to present details of the changes in net financial assets(liabilities), it is not a requirement
- An entity may choose to also report the net financial assets or net financial liabilities indicator on the statement of financial position

Statement of net financial assets (net financial liabilities)				
As at March 31				
		New	2026	2025
Financial assets			xx	xx
Less: Financial liabilities			xx	xx
Net financial assets (net financial liabilities)			xx	xx
OPTIONAL		Budget	2026	2025
	Net financial assets (liabilities) at beginning of year	xx	xx	xx
	Surplus (Deficit) for the period	xx	xx	xx
	Plus: Amortization of tangible capital assets	xx	xx	xx
	Less: (Gain) / loss on sale of tangible capital assets	xx	xx	xx
	Change relating to surplus or deficit	xx	xx	xx
	Acquisition of tangible capital assets	xx	xx	xx
	Change relating to acquisitions of non-financial assets	xx	xx	xx
	Change pertaining to net remeasurement gains (losses)	xx	xx	xx
	Increase (decrease) in net financial asset (liabilites)	xx	xx	xx
	Net financial assets (liabilities) at end of year	xx	xx	xx

New reporting model (PS 1202)

Statement of cash flow

What is different?

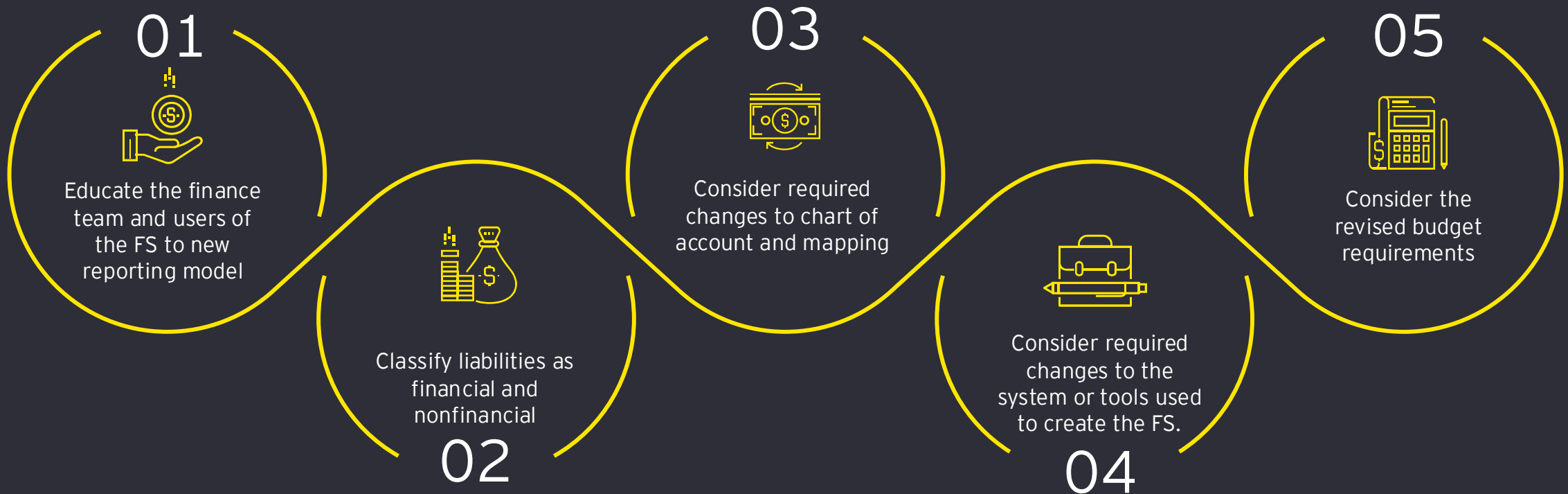
- Financing activities are isolated
- Two new indicators:
 - Net cash applied to operating, capital and investing activities
 - Net cash before financing transactions

Statement of Cash Flow		
For the year ended March 31		
	2026	2025
Cash and cash equivalents at beginning of period	xx	xx
Operating transactions		
Surplus (deficit)	xx	xx
Non-cash items	xx	xx
Changes in working capital	xx	xx
Cash provided by operating transactions	xx	xx
Capital transactions		
Acquisition of tangible capital assets	xx	xx
Cash applied to capital transactions	xx	xx
Investing transactions		
Purchases of portfolio investments	xx	xx
Cash applied to investing transactions	xx	xx
Net cash applied to operating, capital and investing activities	xx	xx
Net cash before financing transactions	xx	xx
Financing transactions		
Repayment of debt	xx	xx
Cash applied to financing transactions	xx	xx
Cash and cash equivalents at end of period	xx	xx

New

New reporting model (PS 1202) Implementation considerations

How should public sector entity get ready for the implementation of the new reporting model:



A woman with curly hair, wearing a black dress and large hoop earrings, is smiling and pointing with a pen at a digital screen. The screen displays a bar chart and a line graph. The background is a blurred office setting with blue light trails.

3D

PUBLIC SECTOR ACCOUNTING STANDARDS (PSAS) UPDATE

ACTIVE PROJECTS

• Government not-for-profit (“GNFP”) strategy

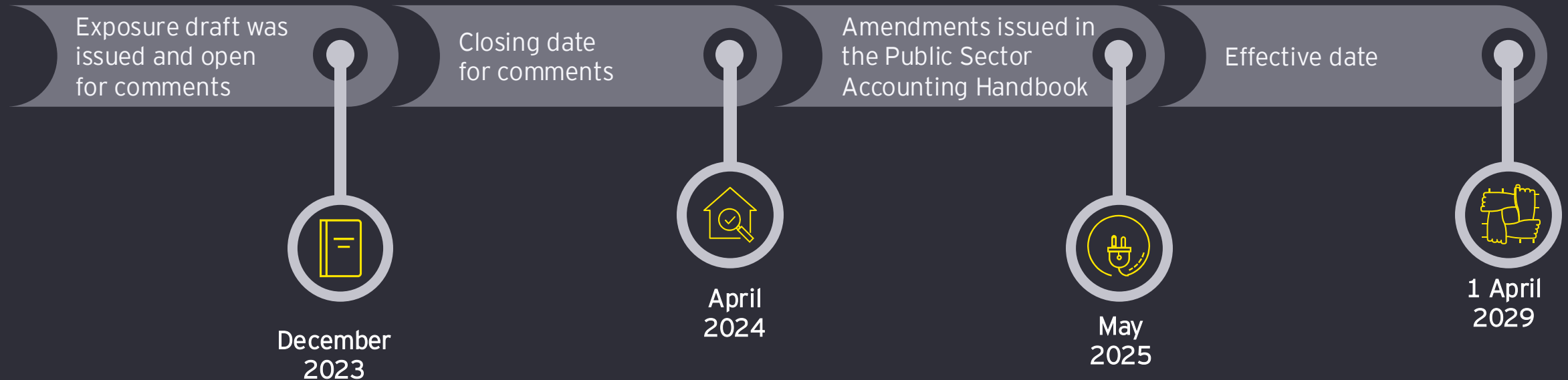
Refresher on the strategy

- In March 2022, PSAB made a decision to incorporate PS 4200 series into PSAS with potential customization
 - Customizations are limited to situations where there are substantial and distinct accountabilities between public sector entities and government NFP entities
 - Consideration of guidance available in PS 4200 series to be made available to all public sector entities
 - Improve comparability and understandability of financial statements
- Standard-level projects implementation plan (revised project proposal planned to be approved in March 2025)
 - 1. Capital assets
 - 2. Contributions (including Endowments) + Reporting Model
 - 3. Controlled and related entities
- GNFP Advisory Committee currently refining project scope and issues for second standard-level project “Contributions (including Endowments) + Reporting Model”

Government not-for-profit: Capital assets

Scope

- Review of PS 4230 “Capital Assets held by Not-for-Profit Organizations” and PS 4240 “Collections held by Not-for-Profit Organizations” and propose amendments to PS 3150 “Tangible Capital Assets”
- Once amendments are proposed to PS 3150, Sections PS 4230 and PS 4240 will be withdrawn



• Key proposed amendments in exposure draft

Definition of tangible capital assets

- Minor amendments to definition in PS 3150
- Clarified that tangible capital assets may be acquired, constructed or developed
- Computer software and purchased intangibles is in scope of “tangible capital assets”
- GNFP applying PS 4200 series have to de-recognize assets beyond computer software and purchased intangibles

Capital asset recognition exemption

- PS 4230 allows entities with average annual revenues of less than \$500,000 a choice to either recognize or disclose its capital assets
- Recognition exemption removed - will be required to recognize capital assets in financial statements for all entities

• Key proposed amendments in exposure draft (continued)

Works of art, historical treasures and collections

- Currently PS 4200 series allow recognition of works of art, historical treasures and collections
 - Upon transition to PS 3150, GNFP applying PS 4200 series have to de-recognize those assets and provide disclosures only
- Enhanced definition of collection and disclosure requirements of works of art, historical treasures and collections

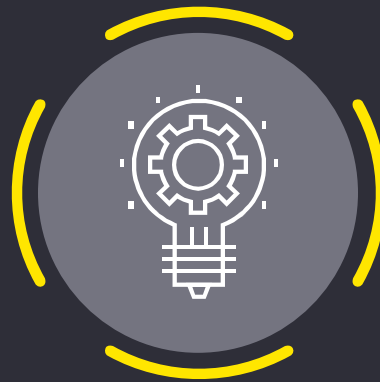
Purchases of capital assets substantially below fair value

- Incorporated existing guidance in PS 4230 into PS 3150
- Tangible capital asset acquired at substantially below fair value would be recognized at its fair value with the difference between the consideration paid for the tangible capital asset and fair value reported as a contribution

• Effective date and transitional provisions



Amendments applies to
annual periods
beginning on or after 1
April 2029



Earlier application
is permitted

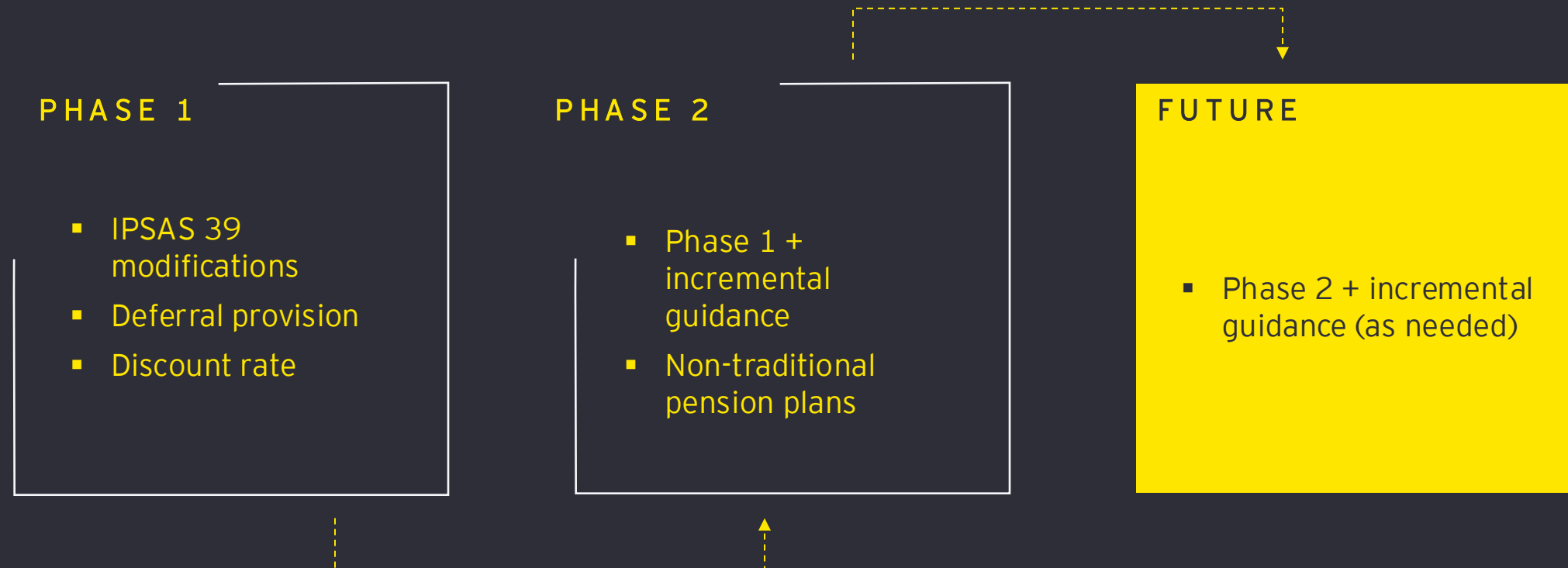


Retrospective application, with
restatement with prior years'
figures

Employee benefits project

Refresher on the project

- In July 2021, PSAB issued Exposure Draft for new Standard PS 3251 “Employee Benefits”
 - Replace existing PS 3250 “Retirement benefits” and PS 3255 “Post-employment Benefits, Compensated Absences and Termination Benefits”



• Key topics in re-exposure draft: Employee benefits

Re-Exposure Draft issued October 2024

Substantive Amendments

Simplified approach

- Previously 3 types of plan funding status (fully funded, unfunded, partially funded)
 - Re-Exposure Draft removed “partially funded” plans
- Additional disclosure requirements for fully funded plans
 - Sensitivity analysis on the impact on plan’s defined benefit liability if measured on an underfunded basis

What discount rate to use?

Funding status of the plan	Discount rate
Fully funded	Expected market-based return on plan assets
Underfunded	Market yield of government bonds, high-quality corporate bonds, or another appropriate financial instrument

How is funding status determined?

Leverage existing qualitative and quantitative funding evidence

Primary indicators	<ul style="list-style-type: none">▪ Qualitative indicators - regulatory, legislative, or contractual funding requirements; and▪ Quantitative indicators - support of fully funded status based on the plan’s most recently prepared actuarial valuation for funding purposes
Secondary indicators	<ul style="list-style-type: none">▪ Corrective actions the entity has taken to address funding shortfalls;▪ Accuracy in assessing historical short-term funding fluctuations; or▪ Other unique facts and circumstances of the plan

• Key topics in re-exposure draft: Employee benefits

Re-Exposure Draft issued October 2024

Non-substantive Amendments

Topic	Re-Exposure Draft Update
Deferral provisions	<ul style="list-style-type: none">▪ Present unamortized actuarial gains/losses as a component of accumulated remeasurement gains and losses▪ Allow reclassification (on net basis) of remaining accumulated remeasurement gains/losses on settlement of a plan to accumulated surplus/deficit Reminder: Exposure Draft removed deferral approach (i.e. actuarial gains/losses are recognized immediately)
Social benefit programs	Clarified these programs are not in scope of proposed PS 3251
Valuation of plan assets	Transitional provisions permitting entities to apply the proposed definition of plan assets prospectively
Category-wide plans	Clarified these plans are not in scope of proposed PS 3251
Joint defined benefit plans	Clarified to account for its participation in the same way as for a defined benefit plan (proportionate share of the defined benefit obligation, plan assets, and cost)

What's next?



October 2024

Exposure draft was
issued and open
for comments

Closing date
for comments

20 January 2025



1 April 2029

Retrospective application, with
or without prior period
restatement.
Early adoption is encouraged

Copy of re-exposure draft, webinar, other materials and link to submit responses to the re-exposure draft are found in [PSAB website](#)

• Intangible assets

New standard to replace PSG 8 “Purchased Intangibles”

- In September 2023, PSAB approved the project on Intangible assets
- Provide guidance on:
 - Definition, recognition, measurement and disclosures of intangible assets
 - One standard to address purchased and developed intangibles, software assets (including cloud computing arrangements)
 - In developing the standard, PSAB will consider the principles of IPSAS 31, Intangible Assets and will modify, as necessary, in accordance with PSAB’s criteria for modifying and reviewing IPSAS principles.

Proposed modifications

- Replacing terminology of “Heritage Assets” with “Works of art and historical treasures”
- Alignment of Recognition Criteria to PSAB’s Conceptual Framework
- Removal of guidance related to Public Sector Combinations
- Removal of Revaluation Model
- Impairment guidance added for intangible assets

Current status

Intangible asset

- Board approved Intangible Assets Exposure Draft and Cloud Computing Arrangement survey in December 2024
 - Both expected to be issued end of February 2025
 - Comments expected to be due end of May 2025

• Stay informed

Through your auditor on upcoming changes and impacts to your organization

Subscribe to The Standard - tailored email about AcSB's and PSAB's NFPO activities

- www.frascanada.ca/subscribe
-

Through the CPA Canada website

- www.frascanada.ca

For private sector NPOs:

- www.frascanada.ca/standards-for-not-for-profit-organizations
- Will also have applicability to NPO's: www.frascanada.ca/en/aspe

For public sector NPOs:

- <https://www.frascanada.ca/public-sector>

SUSTAINABILITY DISCLOSURE TRENDS



A woman with curly hair, wearing a black dress and large hoop earrings, is smiling and pointing with a pen at a presentation screen. The screen displays a bar chart and a line graph. The line graph has a label 'Branding "W"' and a data point '+45%'. The bar chart has a label 'Time period 1'. The background is a blurred office setting with blue light effects.

4A

WHAT IS SUSTAINABILITY AND WHY IT MATTERS

A woman with curly hair, wearing a black dress and large hoop earrings, is smiling and pointing with a pen at a presentation screen. The screen displays a bar chart and a line graph. The background is a blurred office setting with blue lighting and abstract line patterns.

4B

STANDARDS AND REGULATORY DEVELOPMENTS

- Government, Regulatory Bodies And **Standard Setters** are Advancing Sustainability Disclosure



A woman with curly hair, wearing a black dress and large hoop earrings, is smiling and pointing with a pen at a presentation screen. The screen displays a bar chart and a line graph. The line graph has a label 'Branding "W"' and a data point '+45%'. The bar chart has a label 'Time period 1'. The background is a blurred office setting with blue light effects.

4C

HOW CFO'S CAN DRIVE VALUE IN THE SHORT, MEDIUM AND LONG-TERM

HOW CFOs CAN DRIVE SUSTAINABLE VALUE



- How does the organization's governance address climate-related risks and opportunities
- What are the regulations or standards driving the sustainability discussions
- How climate-related risks and opportunities affect the organization's strategy, financial planning, and operations
- How the organization identifies, assesses, and manages climate-related risks

• HOW CFOs CAN DRIVE SUSTAINABLE VALUE

Next Steps

- Understand where you are and where you need to go - gap assessment, inventory of what is currently being done, requirements aligned to standards
- Set a strategy and identify commitments
- Assess current practices (scenario analysis) and develop a plan in response
- Determine who owns the ESG reporting activities
- Build capacity within finance and broader organization to stay current on upcoming disclosure proposals/ standards
- Identify which metrics align to commitments, what data is needed to track, aggregate and report
- Determine if you have the systems and processes in place to track data

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