



Fact Sheet

Compliance refund hold impact on tax-exempt corporations

The compliance refund hold legislation became effective on April 1, 2007. In accordance with the provisions contained in subsections 164(2.01) of the *Income Tax Act* and 229(2) of the *Excise Tax Act*, the Canada Revenue Agency (CRA) is required to withhold the payment of rebates and refunds until all required returns under the *Income Tax Act*, the *Excise Tax Act*, the *Excise Act, 2001*, and the *Air Travellers Security Charge Act* have been filed. These legislative provisions may have an administrative impact on corporate entities that are exempted from paying federal income tax under subsection 149(1) of the *Income Tax Act*, in that those entities are, nevertheless, required to file income tax returns pursuant to subparagraph 150(1)(a)(i) of the Act.

The CRA adopted an administrative position in 2008 to ease this burden. Pursuant to this position, tax-exempt incorporated municipalities, universities, schools, hospitals, non-profit organizations, Crown corporations, and Indian band councils did not have their refunds or rebates withheld because of outstanding T2 corporation income tax returns.

This administrative position is being extended to include all tax years up to and including 2010 to allow a CRA internal review to be completed. Until the review is done, the CRA will continue to not enforce the requirement to file T2 returns for the stated corporations.

For more information about filing a T2 corporation income tax return, go to www.cra.gc.ca/t2return.