

CPPM 4.3.14 - Transfer Payments

Appendix 1 - Classification

Transfer payments are classified in accordance with government's Chart of Accounts. The STOB descriptors and classification characteristics are listed below. Judgment is required to achieve proper and consistent classification decisions. If there are any classification questions, the Financial Reporting and Advisory Services, Office of the Comptroller General should be consulted.

1. **Grant (STOB 77):** Includes grant payments at the discretion of government to individuals, businesses, or other outside entities for specified purposes, for which government does not receive direct goods or services, where there are no ongoing contractual requirements, and government does not control or participate in ongoing activities of the grant recipients.

Characteristics:

- Payment is solely at government's discretion.
- The government decides how much, to whom, and when a payment is to be made.
- In most cases, recipients have to apply for a grant.
- Legislative authority is required, but a contract is not necessary.
- The nature of the payment is *discretionary*.
- Eligibility (and conditions, if any) is set by the government.
- Meeting eligibility criteria does not guarantee a recipient will receive a grant.
- Usually, there is a ceiling on the total amount that may be transferred under a particular grant program.

(Examples: Research & development grants; grants to New Relationship Trust, Northern Development Initiative Trust)

2. **Entitlement (STOB 79):** Includes non-discretionary payments to individuals, businesses or other entities, for which government does not receive direct goods or services, where eligible recipients must be paid under statute, formula or regulation, rather than through ongoing contractual requirements.

Characteristics:

- No conditions are attached to recipient spending.
- All eligible persons or organizations must be paid.
- Usually, a statute or a regulation sets the entitlement rules or criteria.
- A formula, per-capita or unit basis method of transfer calculation may be used.
- The nature of the payment is *non-discretionary* once eligibility criteria have been met.

(Examples: For individual recipients - social assistance. For government or institution recipients – formula-based transfers, such as, federal/provincial equalization payments and per capita transfers to local governments.)

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3. **Transfer under Agreement (including shared cost) (STOB 80):** Includes payments and reimbursements under contract, formal agreement, or shared cost agreement, to individuals, businesses, or other entities for purposes specified in agreement for which government does not receive direct goods or services and has significant control over how funds are to be spent.

Characteristics:

- There is a formal agreement or legislation setting out the terms of the agreement and payment is tied to specific deliverables.
- The government has say in how recipient spends.
- A recipient service provider normally incurs eligible expenses first (may be concurrent under long term agreements).
- The government reimburses only eligible expenditures.

(Examples: care service agreements, PharmaCare.)

A transfer payment is where the government is not the direct beneficiary of the goods or services. There may be an occasion where a ministry may take temporary delivery of goods as an administrative conduit in distributing the goods to a recipient. This circumstance would not constitute a direct receipt of goods, and therefore, would not disqualify the related disbursement as a transfer payment.