



2019 Canadian Federal Budget - How will it affect the Canadian charitable sector?

By Mark Blumberg, Maddy Sawyer, and Uma Karthigeyan (March 19, 2019)

Today, Canadian Finance Minister Bill Morneau introduced his forth Federal Budget of the Liberal Government of Justin Trudeau.

Highlights

The big news is that a new qualified donee category for journalism will be introduced but it will take years to implement. There is a tweaking of the cultural property regime. There is as usual financial support for a number of individual charities that were announced in Budget 2019.

There was no new tax incentives for donating to charity (except the journalism QD). There was no greater transparency in the charitable sector announced. There was no information on the NPORIP and the rules around non-profits that are not registered charities.

The Liberals had already announced a number of initiatives in the Fall Economic Update that related to charities including journalism, political activities, a permanent Advisory Committee on the Charitable Sector and a Social Finance Fund which we covered in our article "[Finance 2018 Fall Economic Statement and its Impact on Canadian Charities, Journalism and Social Finance](#)". The Liberals, partly

to deflect from the SNC-Lavalin affair, also made many announcements over the last few weeks relating to charities.

JOURNALISM

This budget provided further details on three previously announced ideas to encourage journalism.

Supporting Canadian Journalism

A strong and independent news media is crucial to a well-functioning democracy. Recognizing the vitally important role the media play in helping citizens make informed decisions about important issues, in the 2018 *Fall Economic Statement* the Government announced its intention to introduce three new tax measures to support Canadian journalism:

- A new refundable tax credit for journalism organizations.
- A new non-refundable tax credit for subscriptions to Canadian digital news.
- Access to charitable tax incentives for not-for-profit journalism.

As previously announced, the Government will establish an independent panel of experts from the Canadian journalism sector to assist the Government in implementing these measures, including recommending eligibility criteria.

Given the importance of ensuring that media outlets are able to operate with full independence, the Government proposes to establish an independent administrative body that will be responsible for recognizing journalism organizations as being eligible for any of the three measures.

Further details are available in Tax Measures: Supplementary Information.

As well there was a cryptic reference in the last Federal budget to “exploring new models that enable private giving and philanthropic support for trusted,

professional, non-profit journalism and local news". In the 2019 Budget we now know the Liberals are creating a new category of qualified donee called a Qualified Canadian Journalism Organization (QCJO). This new qualified donee will apply as of January 1, 2020. However, before it can proceed there needs to be an "independent" panel that will "recommend eligibility criteria" for these new qualified donees and a new administrative body to approve QCJOs. The government notes "Once the panel has made its recommendations, eligibility of organizations will be evaluated and a recognition process will be put in place." Setting up the panels, getting recommendations from the panels, responding to those recommendations, establishing a new administrative body and providing application for QCJO status and evaluating those applications could take years. When is the election again?

There are concerns about the influence that politicians will have over journalism and there is ample room for political interference using these provisions. For example, there are percentage limits on the amount one person can contribute to a QCJO with some exceptions and the one that stood out was "approved, on a case-by-case basis, by the Minister". My candid advice to any QCJO is be careful of your coverage of that minister!

The small amount of cost over the next 2 years estimated by the Department of Finance below in their chart is an indicator of how much time it is going to take to set up the system, let alone for it to really get going.

In order to not preclude our blog from being registered as a QCJO we just want to reiterate how wonderful the idea is!

If you believe that journalism is in crisis waiting 4 years for the Liberals to announce this tepid support would be very frustrating.

There are so many requirements and prohibitions and restrictions on funding (although some may not be that meaningful) for a QCJO that for many groups it may be not clear whether it makes more sense setting up a regular registered charity or a QCJO or having both a registered charity and regular for-profit operate together utilizing rules around direction and control that have been in place for decades.

We are not sure if journalist or lawyers are going to be the biggest beneficiary of this new QD category but we doubt it is the public in the next year or two receiving better journalism. We have also attached in Schedule A at the end of this article the Notice of Ways and Means Motion to Amend the ITA provisions relating to the new journalism QCJO. We will write further on this topic in the future.

Here are some of the details in Budget 2019:

Business Income Tax Measures

Support for Canadian Journalism

Budget 2019 proposes to introduce three new tax measures to support Canadian journalism:

- allowing journalism organizations to register as qualified donees;
- a refundable labour tax credit for qualifying journalism organizations; and
- a non-refundable tax credit for subscriptions to Canadian digital news.

These measures are intended to provide support to Canadian journalism organizations producing original news.

An independent panel will be established to recommend eligibility criteria for the purposes of these measures. Once the panel has made its recommendations, eligibility of organizations will be evaluated and a recognition process will be put in place.

Qualified Canadian Journalism Organizations

Qualified Canadian Journalism Organization (QCJO) status is a necessary condition for each of the three measures. In order to be a QCJO, an organization will be required to be recognized as meeting criteria developed by the independent panel. This recognition will be made by an administrative body that will be established for this purpose.

A QCJO will be required to be organized as a corporation, partnership or trust. It will need to operate in Canada and meet additional conditions, depending on how it is organized. To qualify as a QCJO, a corporation will

be required to be incorporated and resident in Canada. In addition, its chairperson (or other presiding officer) and at least 75 per cent of its directors must be Canadian citizens. In general, in order for a partnership or trust to qualify, such corporations, along with Canadian citizens, must own at least 75 per cent of the interests in it.

In addition, an organization will be required to meet the following conditions to be a QCJO:

- it is primarily engaged in the production of original news content and in particular, the content
 - must be primarily focused on matters of general interest and reports of current events, including coverage of democratic institutions and processes, and
 - must not be primarily focused on a particular topic such as industry-specific news, sports, recreation, arts, lifestyle or entertainment;
- it regularly employs two or more journalists in the production of its content who deal at arm's length with the organization;
- it must not be significantly engaged in the production of content
 - to promote the interests, or report on the activities, of an organization, an association or their members,
 - for a government, Crown corporation or government agency, or
 - to promote goods or services; and
- it must not be a Crown corporation, municipal corporation or government agency.

Qualified Donee Status

The Government of Canada provides support to certain categories of organizations, including charities, that are referred to in the *Income Tax Act* as “qualified donees” and that operate for some broad public purpose. Canadians may claim the charitable donation tax credit (for individuals) or deduction for donations (corporations) for donations to qualified donees. Qualified donees can also receive gifts from Canadian registered charities.

Budget 2019 proposes to add registered journalism organizations as a new category of tax-exempt qualified donee. In order to qualify for registration, a QCJO will be required to apply to the Canada Revenue Agency (CRA) to be registered as a qualified donee and meet certain additional conditions, as described below.

Registered journalism organizations will be required to be corporations or trusts and to have purposes that exclusively relate to journalism. Any business activities carried on by these organizations will be required to be related to their purposes. For example, the sale of news content and advertising would be considered activities related to journalism. These organizations will not be permitted to distribute their profits, if any, or allow their income to be available for the personal benefit of certain individuals connected with the organization.

To ensure that registered journalism organizations are not used to promote the views or objectives of any particular person or related group of persons, a registered journalism organization:

- will be required to have a board of directors or trustees, each of whom deals at arm's length with each other;
- must not be factually controlled by a person (or a group of related persons); and
- must generally not, in any given year, receive gifts that represent more than 20 per cent of its total revenues, including donations, from any one source (excluding bequests and one-time gifts made on the initial establishment of the particular registered journalism organization).

To provide transparency, the names of all registered journalism organizations will be listed on the website of the Government of Canada. Registered journalism organizations will be required to file an annual return with the CRA containing information on their activities. In addition, registered journalism organizations will be required to disclose, in their information returns, the name(s) of any donors that make donations of over \$5,000 and the amount donated. Similar to registered charities and registered Canadian amateur athletic associations, these information returns will be made public along with certain additional information.

Qualified donees are required to issue official donation receipts in accordance with the *Income Tax Act*, to maintain proper books and records and to provide access to them upon request by the CRA. As qualified donees, these rules will apply to registered journalism organizations, including the regulatory sanctions for failing to follow these rules (i.e., a monetary penalty, the suspension of its qualified donee status and the revocation of registration).

Where a registered journalism organization no longer meets the requirements for registration as a qualified donee (including because it fails

to qualify as a QCJO), the CRA will have the authority to revoke its registration. Where a journalism organization's registration is revoked, it will no longer be exempt from income tax as a registered journalism organization and will no longer be entitled to issue charitable donation receipts.

Where the CRA proposes to revoke the registration of a registered journalism organization, it will be able to file an objection with the Appeals Branch of the CRA. If the organization disagrees with the decision of the Appeals Branch, it will be entitled to appeal the decision to the Federal Court of Appeal.

This measure will apply as of January 1, 2020.

Support for Canadian Journalism							
Qualified Donee Status	-	6	25	32	22	11	96
Refundable Labour Tax Credit	-	-	75	95	95	95	360
Tax Credit for Digital Subscriptions	-	5	26	31	36	41	138

Supporting Canadian Journalism							
Tax Credit for Journalism Organizations	0	0	75	95	95	95	360
Tax Credit for Digital News Subscriptions	0	5	26	31	36	41	138
Access to Charitable Tax Incentives for Not-for-Profit Journalism	0	6	25	32	22	11	96
<i>Less: Funds from Previous Budgets or Fall Statements</i>	0	-45	-105	-130	-150	-165	-595
Supporting Donations of Cultural Property	0	0	0	0	0	0	0

Canada Revenue Agency	0	61	77	77	76	75	367
Access to Charitable Tax Incentives for Not-for-Profit Journalism	0	1	3	2	2	1	9
Ensuring Proper Payments for Public Servants	0	9	0	0	0	0	9
Improving Access to the Canada Workers Benefit Throughout the Year	0	4	1	0	0	0	4
Improving Client Services at the Canada Revenue Agency	0	9	11	12	12	8	50
Improving Tax Compliance	0	29	53	53	52	54	241
Taking Action to Enhance Tax Compliance in the Real Estate Sector	0	9	10	10	10	10	50
Tax Credit for Digital News Subscriptions	0	0	1	1	1	1	3

DONATION INCENTIVES

There was nothing on new tax incentives for donations to registered charities except a clarification relating to cultural property. This is not surprising. Keep in mind that in December 2015, the Liberals [announced a major tax incentive when they raised taxes on those earning over \\$200,000 to 33%](#) but provided a matching tax incentive for those high income earners who make charitable donations. In 2016, the Liberal Budget had indicated that the Liberals will not be proceeding with the extra tax incentives for donations of real estate and shares of private corporations. It is very unlikely they will reverse themselves on this position.

The amount of tax incentives for donations is already higher in Canada than any other country so it is not surprising there are and probably will not be further incentives to encourage individuals and corporations to donate to registered charities. In the 2017 Budget they had removed the additional deduction for corporations who donate medicine and announced that the First-Time Donor's Super Credit "will be allowed to expire in 2017 as planned".

The world has changed a lot in the last couple of years. The Liberals are more focussed in how tax dollars can be used to help certain marginalized groups rather than encouraging donors to donate to registered charities. They are probably also concerned that most of the tax benefits accrue to higher income individuals. As Donald Trump has changed the US system so 19 out of 20 Americans will not receive any tax incentive for donating to charities, there is probably little pressure on Trudeau and Morneau to increase incentives on giving.

DONATIONS OF CULTURAL PROPERTY

There were some changes provided in Budget 2019 to the definition of cultural property that will receive preferential tax treatment. As a result of a recent case dealing with the definition of OSNI ("outstanding significance and national importance") which defines the type of cultural property that can receive preferential treatment there was a narrowing in the case of the items that would be eligible for the tax benefit and this budget essentially eliminates the impact of that decision as it relates to donations (as opposed to exports).

There has been already tremendous abuse of the cultural property system including through elaborate donation schemes and unfortunately this change will only continue to encourage the misuse of the system. Unfortunately, the Liberals did not announce any new initiatives to reduce the likelihood of misuse of the Cultural Property Export Review Board process.

Supporting Donations of Cultural Property

To encourage Canadians to donate cultural property of “outstanding significance” and “national importance” to certain designated institutions in Canada, such as museums and public art galleries, the Government provides special tax incentives. These incentives help to ensure that important cultural property remains in Canada, for the benefit of Canadians.

A recent court decision related to the interpretation of “national importance” has created uncertainty about the availability of these tax incentives. Budget 2019 proposes to introduce legislative amendments to ensure that these tax incentives continue to be available for donations of cultural property of outstanding significance made to designated institutions in Canada.

This measure will apply in respect of donations made on or after Budget Day.

Donations of Cultural Property

The Government of Canada provides certain enhanced tax incentives to encourage donations of cultural property to certain designated institutions and public authorities in Canada, in order to ensure that such property remains in Canada for the benefit of Canadians. The enhanced tax incentives include a charitable donation tax credit (for individuals) or deduction (for corporations), which may eliminate the donor’s tax liability for a year, and an exemption from income tax for any capital gains arising on the disposition.

To qualify for the incentives, a donated property must be of “outstanding significance” by reason of its close association with Canadian history or

national life, its aesthetic qualities or its value in the study of the arts or sciences. In addition, it must be of “national importance” to such a degree that its loss to Canada would significantly diminish the national heritage. These requirements are set out in the *Cultural Property Export and Import Act* and are also used to regulate the export of cultural property out of Canada.

A recent court decision related to the export of cultural property interpreted the “national importance” test as requiring that a cultural property have a direct connection with Canada’s cultural heritage. This decision has raised concerns that certain donations of important works of art that are of outstanding significance but of foreign origin may not qualify for the enhanced tax incentives.

To address these concerns, Budget 2019 proposes to amend the *Income Tax Act* and the *Cultural Property Export and Import Act* to remove the requirement that property be of “national importance” in order to qualify for the enhanced tax incentives for donations of cultural property. No changes are proposed that would affect the export of cultural property.

This measure will apply in respect of donations made on or after Budget Day.

NPORIP

There was no mention of the NPO Risk Identification Project (NPORIP) in the last few budgets. The NPORIP was a CRA review of non-profits that are not registered charities and their compliance especially in the area of non-profits and business activities. It would have been nice if Finance would have provided greater clarity on this issue. There are 80-100,000 non-profits that are not registered charities and there is some uncertainty around the extent to which they can operate.

TRANSPARENCY

We were disappointed that there was no mention of increased transparency in the area of non-profits and charities. Currently, CRA is very limited in what information they can provide on registered charities and they cannot provide any information on non-profit organizations that are not registered charities. Here is a recent [submission](#) on this topic.

FUNDING ANNOUNCEMENTS

Here are some of the many announcements about various charities or funds for charities that have been announced or where in Budget 2019.

FUNDING FOR CHARITIES

To further support Indigenous students, Budget 2019 proposes to provide Indspire with \$9.0 million over three years, starting in 2019–20, for additional bursaries and scholarships for First Nations, Inuit and Métis students. Indspire is an Indigenous-led registered charitable organization with a proven track record of helping Indigenous students attend post-secondary institutions and find good jobs.

Support for Science, Research and Technology Organizations

Canada is home to world-leading non-profit organizations that undertake research and bring together experts from diverse backgrounds to make discoveries, accelerate innovation and tackle health challenges. The Government helps support these collaborative efforts with targeted investments that return real economic and social benefits for Canadians.

Budget 2019 proposes to make additional investments in support of the following organizations:

- **Stem Cell Network:** Stem cell research—pioneered by two Canadians in the 1960s—holds great promise for new therapies and medical treatments for respiratory and heart diseases, spinal cord injury, cancer, and many other diseases and disorders. The Stem Cell Network is a national not-for-profit organization that helps translate stem cell research into clinical applications and commercial products. To support this important work and foster Canada's leadership in stem cell research, Budget 2019 proposes to provide the Stem Cell Network with renewed funding of \$18 million over three years, starting in 2019–20.

- **Brain Canada Foundation:** The Brain Canada Foundation is a national charitable organization that raises funds to foster advances in neuroscience discovery research, with the aim of improving health care for people affected by neurological injury and disease. To help the medical community better understand the brain and brain health, Budget 2019 proposes to provide the Brain Canada Foundation's Canada Brain Research Fund with up to \$40 million over two years, starting in 2020–21. This investment will be matched by funds raised from other non-government partners of the Brain Canada Foundation.
- **Terry Fox Research Institute:** The Terry Fox Research Institute manages the cancer research investments of the Terry Fox Foundation. Budget 2019 proposes to provide the Terry Fox Research Institute with up to \$150 million over five years, starting in 2019–20, to help establish a national Marathon of Hope Cancer Centres Network. The Institute would seek matching funding through a combination of its own resources and contributions that it would seek from other organizations, including hospital and research foundations.
- **Ovarian Cancer Canada:** Ovarian Cancer Canada supports women living with the disease and their families, raises awareness and funds research. Budget 2019 proposes to provide Ovarian Cancer Canada with \$10 million over five years beginning in 2019–20 to help address existing gaps in knowledge about effective prevention, screening, and treatment options for ovarian cancer.
- **Genome Canada:** The insights derived from genomics—the study of the entire genetic information of living things encoded in their DNA and related molecules and proteins—hold the potential for breakthroughs that can improve the lives of Canadians and drive innovation and economic growth. Genome Canada is a not-for-profit organization dedicated to advancing genomics science and technology in order to create economic and social benefits for Canadians. To support Genome Canada's operations, Budget 2019 proposes to provide Genome Canada with \$100.5 million over five years, starting in 2020–21. This investment will also enable Genome Canada to launch new large-scale research competitions and projects, in collaboration with external partners, ensuring that Canada's research community continues to have access to the resources needed to make transformative scientific breakthroughs and translate these discoveries into real-world applications.
- **Let's Talk Science:** Science, technology, engineering and math (STEM) are not just things we study in school—together, they are

transforming all aspects of our lives, and redefining the skills and knowledge people need to succeed in a changing world. Let's Talk Science engages youth in hands-on STEM activities and learning programs, such as science experiments, helping youth develop critical thinking skills and opening up doors to future study and work in these fields. It also helps ensure more girls—and other groups that are underrepresented in STEM—gain and maintain interest in STEM from an early age. Budget 2019 proposes to provide Let's Talk Science with \$10 million over two years, starting in 2020–21, to support this important work.

Strengthening Canada's World-Class Physics Research

TRIUMF is a world-class sub-atomic physics research laboratory located in British Columbia, and home to the world's largest cyclotron particle accelerator. TRIUMF has played a leading role in many medical breakthroughs—such as developing alongside Canadian industrial partners new approaches to the medical imaging of diseases—and brings together industry partners, leading academic researchers and scientists, and graduate students from across Canada and around the world to advance medical isotope production, drug development, cancer therapy, clinical imaging, and radiopharmaceutical research.

Budget 2019 proposes to provide TRIUMF with \$195.9 million over five years, starting in 2019–20, to build on its strong track record of achievements. Combined with an additional \$96.8 million from the existing resources of the National Research Council, federal support for TRIUMF will total \$292.7 million over this five-year period.

Supporting the Next Generation of Entrepreneurs

Futurpreneur Canada is a national not-for-profit organization that provides young entrepreneurs with mentorship, learning resources and start-up financing to help them bring their business ideas to market. Over the past two decades, Futurpreneur Canada's core program has helped more than 11,400 young entrepreneurs launch nearly 9,600 new businesses. Last year, more than 40 per cent of the businesses supported by Futurpreneur Canada were owned by women—more than double the national average.

To help Futurpreneur Canada continue its efforts to support the next generation of entrepreneurs, Budget 2019 proposes to provide Futurpreneur Canada \$38 million over five years, starting in 2019–20. Futurpreneur Canada will match these investments with funding received from other government and private sector partners, and it is expected that this renewed investment would help support the work of approximately 1,000 young entrepreneurs per year.

This funding includes \$3 million over five years for Futurpreneur Canada to provide targeted support to Indigenous entrepreneurs. This will allow Futurpreneur Canada to engage up to 7,250 Indigenous youth through outreach, access to business support tools and training as well as support up to 175 additional Indigenous businesses. Additional measures targeting support to Indigenous entrepreneurs can be found in Chapter 3.

The Social Finance Fund

Many Canadians face persistent and complex social challenges that make it difficult for them to succeed and reach their full potential.

In the 2018 *Fall Economic Statement*, the Government proposed to make available up to \$755 million on a cash basis over 10 years to establish a Social Finance Fund.

The Fund will help charitable, non-profit and other social purpose organizations access financing for projects that will have a positive social impact, such as reducing poverty, expanding employment opportunities for persons with disabilities, or building more affordable housing.

How the Social Finance Fund Will Work:

- Funding will be managed through professional investment managers with expertise in social impact reporting and a proven ability to promote inclusive growth and diversity in the social finance market, to be selected through a competitive selection process in the fall of 2019.
- The fund manager(s) will invest in existing or emerging social finance intermediary organizations that have leveraged private or philanthropic capital for co-investment.

- The fund manager(s) will be required to leverage a minimum of two dollars of non-government capital for every dollar of federal investment, with the exception of investments for Indigenous-led or Indigenous-owned funds.

Under the Social Finance Fund:

- A minimum of \$100 million will be allocated towards projects that support greater gender equality—leveraging existing existing philanthropic and private sector funds towards this purpose in order to help them reduce the social and economic barriers faced by diverse groups of Canadians of all genders.
- A \$50 million investment will be made in the newly proposed Indigenous Growth Fund.

Further details on the Indigenous Growth Fund can be found in Chapter 3.

As announced in the 2018 *Fall Economic Statement*, the Government is also proposing a related investment of \$50 million over two years, starting in 2019–20, to improve the ability of social purpose organizations to successfully participate in the social finance market. This funding will support more robust business planning, provide technical assistance and enable social purpose organizations to develop impact measurement tools to monitor progress achieved.

There are several existing funds already active in Canada's social finance market. Both newly created and existing funds will be able to access the capital available through the Social Finance Fund, including funds such as:

- **VERGE Capital (Ontario)** makes loans to social enterprises in Southwestern Ontario that build affordable housing, provide access to employment and offer training for persons with disabilities, and provide affordable and accessible education materials. Since VERGE was launched in 2014, it has leveraged an additional \$5 from investors for every dollar of provincial support.
- **The Chantier de l'économie sociale Trust (Quebec)** provides patient capital financing to support start-up, expansion and real estate activities of co-operatives and non-profit businesses. The Trust has provided loans to local communities to help restore essential services, and supported programs to help at-risk youth, including Indigenous youth, acquire skills through integrated learning opportunities.

- **The Saint John Community Loan Fund (New Brunswick)** works towards helping individuals and organizations create income and build assets and self-reliance using finance, training and support. For example, the Fund provided: a loan to leverage a mortgage to develop affordable housing units; support for establishing a literacy organization; and capital for an innovation hub to help launch and develop new social enterprises.
 - **The Social Enterprise Fund (Alberta)** provides access to loan capital for social entrepreneurs to address challenges in the environment, social issues, local food security, culture and other public benefit missions. For example, the Fund has provided support to mental health organizations to help provide accessible housing for clients, employment opportunities for persons with disabilities, and therapeutic programs for adults and children with physical and mental intellectual disabilities.
 - **Renewal Funds (British Columbia)** provides early-stage growth capital to for-profit social enterprises with the potential to create social or environmental change in industries such as clean technology and sustainable agriculture.
 - **Jubilee Fund (Manitoba)** is managed by the Assiniboine Credit Union, and provides loan guarantees and bridge financing to non-profit community projects focused on reducing poverty and financial exclusion.
- **Call to Action 66—Indigenous Youth and Reconciliation.** Indigenous youth are the future leaders of their communities and the country's fastest growing demographic. To help ensure that the voices of First Nations, Inuit and Métis youth are heard and to support Indigenous youth reconciliation initiatives, Budget 2019 proposes to provide \$15.2 million over three years, starting in 2019–20, for an Indigenous youth pilot program delivered by Canadian Roots Exchange. Canadian Roots Exchange is a non-profit organization which works to advance reconciliation by bringing together Indigenous and non-Indigenous youth to promote mutual understanding and respect. Funding will support the establishment of a distinctions-based national network of Indigenous youth, help ensure that Government of Canada policies and programs are informed by the diverse voices of Indigenous youth, and provide support to community events and gatherings for Indigenous youth and reconciliation-focused community-based Indigenous youth activities.

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To find out more about legal services that Blumbergs provides to Canadian charities and non-profits please visit www.canadiancharitylaw.ca or www.globalphilanthropy.ca Blumbergs also maintains Canada's largest charity information portal at www.charitydata.ca with up to 15 years information on every Canadian registered charity. The portal is free and the aim is to increase transparency in the Canadian charity sector.

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Support for Canadian Journalism

Qualified Donee Status

40 (1) Subsection 149(1) of the Act is amended by adding the following after paragraph (g):

Registered journalism organizations

(h) a registered journalism organization;

(2) Subsection (1) comes into force on January 1, 2020.

41 (1) The definition *qualified donee* in subsection 149.1(1) of the Act is amended by adding the following after paragraph (b):

(b.1) a registered journalism organization,

(2) Subsection 149.1(1) of the Act is amended by adding the following in alphabetical order:

qualifying journalism organization means a corporation or trust that meets the following conditions:

(a) it is a qualified Canadian journalism organization,

(b) it is constituted and operated for purposes exclusively related to journalism,

(c) any business activities it carries on are related to its purposes,

(d) it has a board of directors or trustees, each of whom deals at arm's length with each other,

(e) it is not controlled, directly or indirectly in any manner whatever, by a person or by a group of persons that do not deal with each other at arm's length,

(f) it may not, in a taxation year, receive gifts from any one source that represent more than 20% of its total revenues (including donations) for the taxation year, other than a gift

(i) made by way of bequest,

- (ii) made within 12 months after the time the organization is first registered, or
 - (iii) approved, on a case-by-case basis, by the Minister, and
- (g) no part of its income is payable to, or otherwise available for the personal benefit of, any proprietor, member, shareholder, director, trustee, settlor or like individual; (*organisation journalistique admissible*)

(3) Subsection 149.1(4.3) of the Act is replaced by the following:

Revocation of a qualified donee

(4.3) The Minister may, in the manner described in section 168, revoke the registration of a qualified donee referred to in paragraph (a) or (b.1) of the definition *qualified donee* in subsection (1) for any reason described in subsection 168(1).

(4) Section 149.1 of the Act is amended by adding the following after subsection (14):

Information returns

(14.1) Every registered journalism organization shall, within six months from the end of each taxation year of the organization without notice or demand, file with the Minister both an information return and a public information return for the year in prescribed form and containing prescribed information including, for each donor whose total gifts to the organization in the year exceed \$5,000, the name of the donor and the total amount donated.

(5) Paragraphs 149.1(15)(a) and (b) of the Act are replaced by the following:

(a) the information contained in a public information return referred to in subsection 149.1(14) or (14.1) shall be communicated or otherwise made available to the public by the Minister in such manner as the Minister deems appropriate;

(b) the Minister may make available to the public in any manner that the Minister considers appropriate, in respect of each registered, or previously registered, charity, Canadian amateur athletic association, registered journalism organization and qualified donee referred to in paragraph (a) of the definition *qualified donee* in subsection (1),

(i) its name, address and date of registration,

(ii) in the case of a registered, or previously registered, charity, Canadian amateur athletic association or registered journalism organization, its registration number, and

(iii) the effective date of any revocation, annulment or termination of registration; and

(6) Subsection 149.1(22) of the Act is replaced by the following:

Refusal to register

(22) The Minister may, by registered mail, give notice to a person that the application of the person for registration as a registered charity, registered Canadian amateur athletic association, registered journalism organization or qualified donee referred to in subparagraph (a)(i) or (iii) of the definition *qualified donee* in subsection (1) is refused.

(7) Subsections (1) to (6) come into force on January 1, 2020.

42 (1) Paragraph 168(1)(c) of the Act is replaced by the following:

(c) in the case of a registered charity, registered Canadian amateur athletic association or registered journalism organization, fails to file an information return as and when required under this Act or a regulation;

(2) Paragraph 168(1)(f) of the Act is replaced by the following:

(f) in the case of a registered Canadian amateur athletic association or registered journalism organization, accepts a gift the granting of which was expressly or implicitly conditional on the association or organization making a gift to another person, club, society, association or organization.

(3) Subsection 168(2) of the Act is replaced by the following:

Revocation of registration

(2) If the Minister gives notice under subsection 168(1) to a registered charity, to a registered Canadian amateur athletic association or to a registered journalism organization,

(a) if it has applied to the Minister in writing for the revocation of its registration, the Minister shall, forthwith after the mailing of the notice, publish a copy of the notice in the *Canada Gazette*, and on that publication of a copy of the notice, the registration is revoked; and

(b) in any other case, the Minister may, after the expiration of 30 days from the day of mailing of the notice, or after the expiration of such extended period from the day of mailing of the notice as the Federal Court of Appeal or a judge of that Court, on application made at any time before the determination of any appeal pursuant to subsection 172(3) from the giving of the notice, may fix or allow, publish a copy of the notice in the *Canada Gazette*, and on that publication of a copy of the notice, the registration is revoked.

(4) Paragraph 168(4)(c) of the Act is replaced by the following:

(c) in the case of a person described in any of subparagraphs (a)(i) to (v) and paragraph (b.1) of the definition *qualified donee* in subsection 149.1(1), that is or was registered by the Minister as a qualified donee or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.3) and (22).

(5) Subsections (1) to (4) come into force on January 1, 2020.

43 (1) Paragraph 172(3)(a.2) of the Act is replaced by the following:

(a.2) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.3), (22) and 168(1) by the Minister, to a person that is a person described in any of subparagraphs (a)(i) to (v) and paragraph (b.1) of the definition *qualified donee* in subsection 149.1(1) that is or was registered by the Minister as a qualified donee or is an applicant for such registration, or does not confirm or vacate that proposal or decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(2) Subsection (1) comes into force on January 1, 2020.

44 (1) Subsection 188.1(6) of the Act is replaced by the following:

Failure to file information returns

(6) Every registered charity, registered Canadian amateur athletic association and registered journalism organization that fails to file a return for a taxation year as and when required by subsection 149.1(14) or (14.1) is liable to a penalty equal to \$500.

(2) Subsection 188.1(7) of the Act is replaced by the following:

Incorrect information

(7) Except where subsection (8) or (9) applies, every registered charity, registered Canadian amateur athletic association and registered journalism organization that issues, in a taxation year, a receipt for a gift otherwise than in accordance with this Act and the regulations is liable for the taxation year to a penalty equal to 5% of the amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction under subsection 110.1(1) or a credit under subsection 118.1(3).

(3) Subsection 188.1(8) of the Act is replaced by the following:

Increased penalty for subsequent assessment

(8) Except where subsection (9) applies, if the Minister has, less than five years before a particular time, assessed a penalty under subsection (7) or this subsection for a taxation year of a registered charity, registered Canadian amateur athletic association or registered journalism organization and, after that assessment and in a subsequent taxation year, it issues, at the particular time, a receipt for a gift otherwise than in accordance with this Act and the regulations, it is liable for the subsequent taxation year to a penalty equal to 10% of the amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction under subsection 110.1(1) or a credit under subsection 118.1(3).

(4) Subsection 188.1(9) of the Act is replaced by the following:

False information

(9) If at any time a person makes or furnishes, participates in the making of or causes another person to make or furnish a statement that the person knows, or would reasonably be expected to know but for circumstances amounting to culpable conduct (within the meaning assigned by subsection 163.2(1)), is a false statement (within the meaning assigned by subsection 163.2(1)) on a receipt issued by, on behalf of or in the name of another person for the purposes of subsection 110.1(2) or 118.1(2), the person (or, where the person is an officer, employee, official or agent of a registered charity, registered Canadian amateur athletic association or registered journalism organization, the charity, association or organization) is liable for their taxation year that includes that time to a penalty equal to 125% of the amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction under subsection 110.1(1) or a credit under subsection 118.1(3).

(5) Subsections (1) to (4) come into force on January 1, 2020.

45 (1) The portion of subsection 188.2(1) of the Act before paragraph (a) is replaced by the following:

Notice of suspension with assessment

188.2 (1) The Minister shall, with an assessment referred to in this subsection, give notice by registered mail to a registered charity, registered Canadian amateur athletic association or registered journalism organization that its authority to issue an official receipt referred to in Part XXXV of the *Income Tax Regulations* is suspended for one year from the day that is seven days after the day on which the notice is mailed, if the Minister has assessed the charity, association or organization for a taxation year for

(2) Subsection 188.2(2.1) of the Act is replaced by the following:

Suspension – failure to report

(2.1) If a registered charity, a registered Canadian amateur athletic association or a registered journalism organization fails to report information that is required to be included in a return filed under subsection 149.1(14) or (14.1), the Minister may give notice by registered mail to the charity, association or organization that its authority to issue an official receipt referred to in Part XXXV of the *Income Tax Regulations* is suspended from the day that is seven days after the day on which the notice is mailed until such time as the Minister notifies the charity, association or organization that the Minister has received the required information in prescribed form.

(3) Subsections (1) and (2) come into force on January 1, 2020.

46 (1) The portion of subsection 230(2) of the Act before paragraph (a) is replaced by the following:

Records and books

(2) Every qualified donee referred to in paragraphs (a) to (c) of the definition *qualified donee* in subsection 149.1(1) shall keep records and books of account — in the case of a qualified donee referred to in any of subparagraphs (a)(i) and (iii) and paragraphs (b), (b.1) and (c) of that definition, at an address in Canada recorded with the Minister or designated by the Minister — containing

(2) Subsection (1) comes into force on January 1, 2020.

47 (1) The portion of subsection 241(3.2) of the Act before paragraph (a) is replaced by the following:

Certain qualified donees

(3.2) An official may provide to any person the following taxpayer information relating to another person (in this subsection referred to as the “registrant”) that was at any time a registered charity, registered Canadian amateur athletic association or registered journalism organization:

(2) Paragraph 241(3.2)(f) of the Act is replaced by the following:

(f) financial statements required to be filed with an information return referred to in subsection 149.1(14) or (14.1);

(3) Subsections (1) and (2) come into force on January 1, 2020.

48 (1) Subsection 248(1) of the Act is amended by adding the following in alphabetical order:

registered journalism organization means a *qualifying journalism organization* (as defined in subsection 149.1(1)) that has applied to the Minister in prescribed form for registration, that has been registered and whose registration has not been revoked; (*organisation journalistique enregistrée*)

(2) Subsection (1) comes into force on January 1, 2020.

49 (1) The portion of subsection 253.1(2) of the Act before paragraph (a) is replaced by the following:

Investments in limited partnerships

(2) For the purposes of section 149.1 and subsections 188.1(1) and (2), if a registered charity, a registered Canadian amateur athletic association or a registered journalism organization holds an interest as a member of a partnership, the member shall not, solely because of its acquisition and holding of that interest, be considered to carry on any business of the partnership if

(2) Subsection (1) comes into force on January 1, 2020.

50 (1) The definition *registered organization* in section 3500 of the Regulations is replaced by the following:

registered organization means a registered charity, a registered Canadian amateur athletic association, registered journalism organization or a registered national arts service organization. (*organisation enregistrée*)

(2) Subsection (1) comes into force on January 1, 2020.

51 (1) Paragraphs 5800(1)(d) and (e) of the Regulations are replaced by the following:

(d) in respect of

(i) any record of the minutes of meetings of the executive of a registered charity, registered Canadian amateur athletic association or registered journalism organization,

(ii) any record of the minutes of meetings of the members of a registered charity, registered Canadian amateur athletic association or registered journalism organization, and

(iii) all documents and by-laws governing a registered charity, registered Canadian amateur athletic association or registered journalism organization,

the period ending on the day that is two years after the date on which the registration of the registered charity, the registered Canadian amateur athletic association or the registered journalism organization under the Act is revoked;

(e) in respect of all records and books of account that are not described in paragraph (d) and that relate to a registered charity, registered Canadian amateur athletic association or registered journalism organization whose registration under the Act is revoked, and in respect of the vouchers and accounts necessary to verify the information in such records and books of account, the period ending on the day that is two years after the date on which the registration of the registered charity, the registered Canadian amateur athletic association or the registered journalism organization under the Act is revoked;

(2) Subsection (1) comes into force on January 1, 2020.

Refundable Labour Tax Credit

52 (1) Subsection 87(2) of the Act is amended by adding the following after paragraph (j.95):

Journalism organizations

(j.96) for the purposes of section 125.6, the new corporation is deemed to be the same corporation as, and a continuation of, each predecessor corporation;

(2) Subsection (1) is deemed to have come into force on January 1, 2019.

53 (1) The Act is amended by adding the following after section 125.5:

125.6

Definitions

(1) The following definitions apply in this section.

assistance means an amount, other than an amount deemed under subsection (2) to have been paid, that would be included under paragraph 12(1)(x) in computing the income of a taxpayer for any taxation year if that paragraph were read without reference to

- (a)** subparagraphs 12(1)(x)(v) to (viii), if the amount were received
 - (i)** from a person or partnership described in subparagraph 12(1)(x)(ii), or
 - (ii)** in circumstances where clause 12(1)(x)(i)(C) applies; and
- (b)** subparagraphs 12(1)(x)(v) to (vii), in any other case. (*montant d'aide*)

eligible newsroom employee, in respect of a qualified Canadian journalism organization in a taxation year, means an individual who

- (a)** is employed by the organization in the taxation year;
- (b)** works, on average, a minimum of 26 hours per week throughout the portion of the taxation year in which the individual is employed by the organization;
- (c)** at any time in the taxation year, has been, or is reasonably expected to be, employed by the organization for a minimum period of 40 consecutive weeks that includes that time;
- (d)** spends at least 75% of their time engaged in the production of news content, including by researching, collecting information, verifying facts, photographing, writing, editing, designing and otherwise preparing content; and
- (e)** meets any prescribed conditions. (*employé de salle de presse admissible*)

qualifying journalism organization, at any time, means a qualified Canadian journalism organization that meets the following conditions:

- (a)** it is primarily engaged in the production of original written news content;
- (b)** it does not carry on a *broadcasting undertaking* as defined in subsection 2(1) of the *Broadcasting Act*;

(c) it does not, in the taxation year in which the time occurs, receive an amount from the Aid to Publishers component of the Canada Periodical Fund; and

(d) if it is a corporation having share capital, it meets the conditions in subparagraph (e)(iii) of the definition *Canadian newspaper* in subsection 19(5). (*organisation journalistique admissible*)

qualifying labour expenditure, of a taxpayer for a taxation year in respect of an eligible newsroom employee, means the lesser of

(a) the amount determined by the formula

$$\$55,000 \times A/365$$

where

A is the lesser of 365 and the number of days in the taxation year, and

(b) the amount that is the salary or wages payable by the taxpayer to the eligible newsroom employee in respect of the portion of the taxation year throughout which the taxpayer is a qualified Canadian journalism organization. (*dépense de main-d'œuvre admissible*)

Tax credit

(2) A taxpayer that is a qualifying journalism organization at any time in a taxation year and that files a prescribed form containing prescribed information with its return of income for the year is deemed to have, on its balance-due day for the year, paid on account of its tax payable under this Part for the year an amount determined by the formula

$$0.25 \times (A - B)$$

where

A is the total of all amounts each of which is a qualifying labour expenditure of the qualified Canadian journalism organization for the year in respect of an eligible newsroom employee; and

B is the total of all amounts each of which is an amount of assistance that the taxpayer has received, is entitled to receive or can reasonably be expected to receive, in respect of the year that has not been repaid before the end of the year pursuant to a legal obligation to do so (and that does not reduce the amount determined for A).

When assistance received

(3) For the purposes of this Act other than this section, and for greater certainty, the amount that a corporation is deemed under subsection (2) to have paid for a taxation year is assistance received by the corporation from a government immediately before the end of the year.

(2) Subsection (1) is deemed to have come into force on January 1, 2019. For greater certainty, it does not apply in respect of salary or wages that are in respect of a period before January 1, 2019.

54 (1) Paragraph 152(1)(b) of the Act is replaced by the following:

(b) the amount of tax, if any, deemed by subsection 120(2) or (2.2), 122.5(3), 122.51(2), 122.7(2) or (3), 122.8(4), 122.9(2), 122.91(1), 125.4(3), 125.5(3), 125.6(2), 127.1(1), 127.41(3) or 210.2(3) or (4) to be paid on account of the taxpayer's tax payable under this Part for the year.

(2) Subsection (1) is deemed to have come into force on January 1, 2019.

55 (1) Paragraph 157(3)(e) of the Act is replaced by the following:

(e) 1/12 of the total of the amounts each of which is deemed by subsection 125.4(3), 125.5(3), 125.6(2), 127.1(1) or 127.41(3) to have been paid on account of the corporation's tax payable under this Part for the year.

(2) Subsection (1) is deemed to have come into force on January 1, 2019.

56 (1) Paragraph 157(3.1)(c) of the Act is replaced by the following:

(c) 1/4 of the total of the amounts each of which is deemed by subsection 125.4(3), 125.5(3), 125.6(2), 127.1(1) or 127.41(3) to have been paid on account of the corporation's tax payable under this Part for the taxation year.

(2) Subsection (1) is deemed to have come into force on January 1, 2019.

57 (1) Subsection 163(2) of the Act is amended by striking out "and" at the end of paragraph (f), by adding "and" at the end of paragraph (g) and by adding the following after paragraph (g):

(h) the amount, if any, by which

(i) the amount that would be deemed by subsection 125.6(2) to have been paid for the year by the person if that amount were calculated by reference to the information provided in the return filed for the year pursuant to that subsection

exceeds

(ii) the amount that is deemed by that subsection to be paid for the year by the person.

(2) Subsection (1) is deemed to have come into force on January 1, 2019.

58 (1) Subparagraph 164(1)(a)(ii) of the Act is replaced by the following:

(ii) before sending the notice of assessment for the year, where the taxpayer is a qualified corporation (as defined in subsection 125.4(1)), an eligible production corporation (as defined in subsection 125.5(1)) or a qualified Canadian journalism organization and an amount is deemed under subsection 125.4(3), 125.5(3) or 125.6(2) to have been paid on account of its tax payable under this Part for the year, refund all or part of any amount claimed in the return as an overpayment for the year, not exceeding the total of those amounts so deemed to have been paid, and

(2) Subsection (1) is deemed to have come into force on January 1, 2019.

59 (1) Paragraph 241(4)(d) of the Act is amended by adding the following after subparagraph (xvi):

(xvi.1) to a person employed or engaged in the service of an office or agency, of the Government of Canada or of a province, whose mandate includes the provision of assistance (as defined in subsection 125.6(1)) in respect of qualified Canadian journalism organizations, solely for the purpose of the administration or enforcement of the program under which the assistance is offered,

(xvi.2) to a body referred to in paragraph (b) of the definition *qualified Canadian journalism organization* in subsection 248(1), solely for the purpose of determining eligibility for designation under that paragraph,

(2) Subsection (1) is deemed to have come into force on January 1, 2019.

60 (1) Subsection 248(1) of the Act is amended by adding the following in alphabetical order:

qualified Canadian journalism organization, at any time, means a corporation, partnership or trust that

(a) meets the following conditions:

(i) in the case of a corporation,

(A) it is incorporated under the laws of Canada or a province,

- (B)** the chairperson or other presiding officer, and at least 3/4 of the directors or other similar officers, are citizens of Canada, and
- (C)** it is resident in Canada,
- (ii)** in the case of a partnership,
- (A)** it is formed under the laws of a province, and
- (B)** individuals who are citizens of Canada or persons, or partnerships, described in any of subparagraphs (i) to (iii) hold interests in the partnership
- (I)** representing in value at least 75% of the total value of the partnership property, and
- (II)** that result in at least 75% of each income or loss of the partnership from any source being included in the determination of their incomes,
- (iii)** in the case of a trust,
- (A)** it is formed under the laws of a province,
- (B)** it is resident in Canada, and
- (C)** if interests as a beneficiary under the trust are held by one or more persons or partnerships, at least 75% of the fair market value of all interests as a beneficiary under the trust are held by
- (I)** individuals who are citizens of Canada, or
- (II)** persons or partnerships described in any of subparagraphs (i) to (iii),
- (iv)** it operates in Canada, including that its content is edited, designed and, except in the case of digital content, published in Canada,
- (v)** it is primarily engaged in the production of original news content which
- (A)** must be primarily focused on matters of general interest and reports of current events, including coverage of democratic institutions and processes, and
- (B)** must not be primarily focused on a particular topic such as industry-specific news, sports, recreation, arts, lifestyle or entertainment,
- (vi)** it regularly employs two or more journalists who deal at arm's length with the organization in the production of its content,
- (vii)** it is not significantly engaged in the production of content

- (A) to promote the interests, or report on the activities, of an organization, an association or its members,
 - (B) for a government, Crown corporation or government agency, or
 - (C) to promote goods or services, and
- (viii) it is not a Crown corporation, municipal corporation or government agency; and
- (b) is designated at that time by a body prescribed for the purpose of this definition; (*organisation journalistique canadienne qualifiée*)

(2) Subsection (1) is deemed to have come into force on January 1, 2019.

Personal Income Tax Credit for Digital Subscriptions

61 (1) The Act is amended by adding the following after section 118.01:

118.02

Definitions

(1) The following definitions apply in this section.

digital news subscription, of an individual with a qualified Canadian journalism organization, means an agreement entered into between the individual and the qualified Canadian journalism organization, if

- (a) the agreement entitles an individual to access content of the qualified Canadian journalism organization in digital form; and
- (b) the qualified Canadian journalism organization is primarily engaged in the production of original written news content and is not engaged in a *broadcasting undertaking* as defined in subsection 2(1) of the *Broadcasting Act*. (*abonnement aux nouvelles numériques*)

qualifying subscription expense, for a taxation year, means the amount paid in the year for a digital news subscription of an individual with a qualified Canadian journalism organization and, for this purpose, if the digital news subscription provides access to content in non-digital form or content other than content of qualified Canadian journalism organizations, the amount considered to be paid for the digital news subscription shall not exceed

- (a) the cost of a comparable digital news subscription with the qualified Canadian journalism organization that solely provides access to content of qualified Canadian journalism organizations in digital form; and
- (b) if there is no such comparable digital news subscription, 1/2 of the amount actually paid. (*dépense pour abonnement admissible*)

Digital news subscription tax credit

- (2) For the purpose of computing the tax payable under this Part by an individual for a taxation year that is before 2025, there may be deducted the amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the year; and

B is the lesser of

- (a) \$500, and
- (b) the total of all amounts each of which is a qualifying subscription expense of the individual for the year.

Apportionment of credit

- (3) If more than one individual is entitled to a deduction under this section for a taxation year in respect of a qualifying subscription expense, the total of all amounts so deductible shall not exceed the maximum amount that would be so deductible for the year by any one of those individuals in respect of the qualifying subscription expense, if that individual were the only individual entitled to deduct an amount for the year under this section, and if the individuals cannot agree as to what portion of the amount each can so deduct, the Minister may fix the portions.

(2) Subsection (1) applies to the 2020 and subsequent taxation years.

62 (1) Section 118.92 of the Act is replaced by the following:

Ordering of credits

118.92 In computing an individual's tax payable under this Part, the following provisions shall be applied in the following order: subsections 118(1) and (2), section 118.7, subsections 118(3) and (10) and sections 118.01, 118.02, 118.04,

118.041, 118.05, 118.06, 118.07, 118.3, 118.61, 118.5, 118.9, 118.8, 118.2, 118.1, 118.62 and 121.

(2) Subsection (1) comes into force on January 1, 2020.

63 Section 241 of the Act is amended by adding the following after subsection (3.3):

Information may be communicated

(3.4) The Minister may communicate or otherwise make available to the public, in any manner that the Minister considers appropriate, the following taxpayer information:

- (a)** the names of each organization with respect to which an individual can be entitled to a deduction under subsection 118.02(2); and
- (b)** the start and, if applicable, end of the period in which paragraph (a) applies in respect of any particular organization.