# CRA’s Report on the Charities Program 2015-2016

*by Mark Blumberg*

The Canada Revenue Agency (“CRA”) released its *Report on the Charities Program 2015-2016* (the “Report”) late last year. The Report replaces the annual *Charities Program Update* that was issued by the Director General in previous years with a more reader-friendly format. The content is similar to previous years’ annual reports, but with updated statistics and accompanied by infographics.

The Report, which is 27 pages long, provides an overview of the Charities Directorate and Sector, charity application and audit processes with updated statistics, a summary of its outreach and engagement initiatives, high-level results of the political activities audits and future initiatives of the Charities Directorate.

**Report Highlights 2015-2016**

*Applications and Decisions*

The Report provides the following statistics with respect to the number of charity applications received during the 2015-2016 year and the number of decisions made on applications in 2015-2016.

### Applying for charitable registration

The CRA's Charities Directorate received the following number of applications for registration during the 2015-16 fiscal year:

| TYPE OF APPLICATION | NUMBER IN 2015-16 |
|---|---|
| Registrations – Charities | 3484 |
| Re-registrations – Charities | 326 |
| Registrations – RCAAAs and RNASOs | 5 |
| Re-registrations – RCAAAs and RNASOs | 0 |

The Directorate made the following decisions on applications during the 2015-16 fiscal year:

| APPLICATION DECISIONS | NUMBER IN 2015-16 |
|---|---|
| Registration | 1670 |
| Incomplete | 1165 |
| Abandoned | 473 |
| Withdrawn | 278 |
| Final turn down | 84 |

- We note that a majority of applications (91.3%) submitted in 2015-2016 were for charity registrations, while 8.5% of the applications were for charity re-registrations.
- In terms of decisions, only 45.5% of the decisions made resulted in charitable registrations.

While these statistics are helpful in understanding the breakdown of the types of applications submitted to the Charities Directorate and the Charites Directorate's decisions in a given year, it is unclear whether the decisions made on applications in 2015-2016 were for applications that were received in 2015 to 2016 or for applications that were received in previous years.

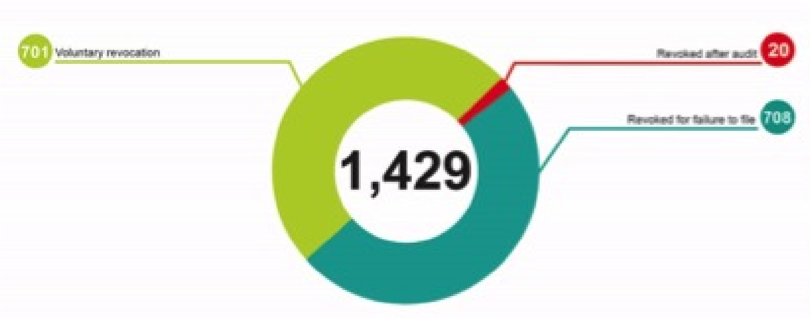
The Charities Directorate has been extremely backlogged since the *Canada Not-for-Profit Corporation Act* came into force resulting in lengthy delays in its response times for both charity registrations and re-registrations, ongoing requests for approvals and confirmations of various corporate changes.

As a practitioner, one of the most frustrating parts of my job is the slow response time of CRA dealing with charity applications and written requests. Although we know that CRA has hired a large number of people to help with the backlog, it will take a long time for the problem to be dealt with.

*Revocations*

The Report also highlights the reasons for charitable revocations, with almost 50 percent resulting from failing to file the T3010 Annual Charity Information Return, plus almost 50% resulting from voluntary revocations by the charity, with only about 1.4% resulting from an audit.

**Revocations in 2015-16**




Registered charities are required to submit their T3010 and accompanying documents with CRA within 6 months of their fiscal year-end. It is extremely important for charities to make an effort to complete and file the T3010 with the accompanying documents in a timely manner; otherwise their charitable registrations will be revoked.

The Report provided the Charities Directorate's findings from its examination on late-filings, which were:

- approximately one-quarter of charities file late on an annual basis;
- most late returns are received within 30 days of the deadline;
- the majority of late filers were "repeat offenders," filing late for two or more consecutive years; and
- most late-filing charities have:
  - no, or few, paid staff
  - revenues under $100,000
  - expenditures under $100,000

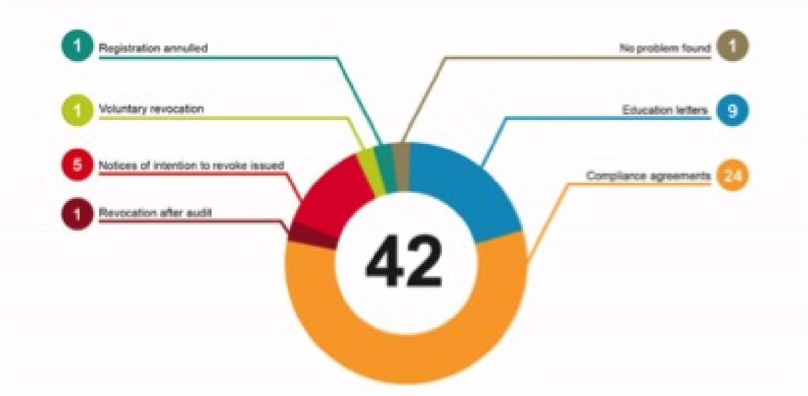
In addition to a $500 penalty fee, if a charity is very late in filing and is revoked for failure to file, then the re-registration process is both costly and time-consuming since it involves going through the entire charity application and review process. In some cases, it may also involve changes to the charity's governing documents to bring them into compliance.

The Charities Directorate has indicated that the late T3010 filings are a specific area of concern and that it will be closely monitoring this area.

*Political Activities Audits*

The Report also releases the results of the political activities audits that were concluded as of September 2016.

**Political activities audit outcomes**




While the Charities Directorate has concluded its political activities audit program, political activities can still be an issue in regular charity audits. Charities are permitted to spend up to 10 percent (more for smaller charities) of their resources on non-partisan political activities that are connected with their charitable purposes. While not all charities should be involved in political activities, many should. It is important that these charities operate within the appropriate parameters and properly document and report their political activities on their T3010.

You can read the full Report at: **Report on the Charities Program**

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