



To/À: Sean Keenan

SECRET

From/De: Sharmila Khare

Originator/Auteur: Blaine Langdon

Date: - 5 AVR. 2012

Subject/Sujet: Reaction to Budget 2012 Charitable Sector Proposals

For your information.

Please find attached a summary of reactions from the media and stakeholders regarding the charitable sector proposals announced in Budget 2012. While the proposals with respect to political activities by charities were widely commented upon via online sources such as blogs, we have limited our summary to articles from mainstream media sources.

Enhancing Transparency and Accountability for Charities

the Budget 2012 proposals were largely perceived as a “crack down” on the political activities by charities. Despite the fact that Budget 2012 makes no specific reference to environmental groups, the majority of articles specifically linked these proposals to an attempt to silence environmental charities (e.g., those opposed to the oil sands or the Keystone pipeline), with many writers specifically referencing the Tides Canada Foundation. The charities proposals are also often contrasted against the changes to expedite the review process for resource projects. For example, Peter O’Neil of the National Post wrote, “The Harper government’s budget Thursday tossed roses to Western Canada’s natural resource-based economy and lobbed a political grenade at the environmental movement.”

Overall, the reaction can be described as generally negative, with the exception of a few articles which criticize the actions taken by environmental groups against the oil industry. On the latter point, for example, the Calgary Herald wrote, “environmental organizations only have themselves to blame for the crackdown on their activities”. Quite a number of the articles, however, echo the message delivered by Minister Flaherty – i.e., that the Budget 2012 proposals do not necessarily change the rules, but rather step up enforcement of these activities and will increase overall transparency.

21(1)(b)

Charitable sector stakeholders (including charity law tax practitioners) have, for the most part, reacted neutrally to the changes. Imagine Canada, for example, issued a Press Release stating:

Imagine Canada will carefully analyze these proposed changes to assess their full implications and will engage actively in the consultations on these proposed amendments to the Income Tax Act. The onus is on the federal government not to discourage these donations or activities, or to add disproportionate administrative costs to charities.

Regarding the proposed intermediate sanctions, the proposed suspension for the filing of incomplete or inaccurate information returns by charities garnered the most attention from tax practitioners. Mark Blumberg, a Toronto charity lawyer, wrote:

This highlights the importance of charities not only filing the T3010 but being accurate and complete. If you don't file your T3010 you will be revoked, but if you file an incomplete or inaccurate T3010 you can be suspended. I have expressed concerns with some charities making ridiculous claims on their T3010 - that they have no fundraising costs is my favorite when they are organizing lots of expensive fundraising events, inflating gift-in-kind valuations etc. Well now just such a filing can get the charity in trouble.

Gifts to Foreign Charitable Organizations

Overall, the proposed changes to the regime for granting qualified donee status did not garner much attention. At least two media sources which cited the changes (the Chronicle Herald and CharityVillage.ca) perceived these proposals as a threat to decertify foreign charities that do not act in the national interest of Canada.

Tax practitioners (those more familiar with this provision) commented that while the changes represented a narrowing of the criteria, it could provide clarity and increase the number of groups registered under the provision overall.

We will continue to monitor any future comments regarding the Budget and will inform you of any significant updates in the future.

Last update: April 3, 2012

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Summary of Comments Post-Budget 2011

Stakeholder / Organization / Individual	Source (w/links)	Comments on Changes	Notable Quotes
1. PRINT MEDIA ARTICLES			
Tim Naumetz	Hill Times March 29, 2012	Feds attack charitable sector in budget for being too political, say opposition MPs The Hill Times article reports that Opposition Members perceive the changes as retribution for widespread opposition from environmental groups to the massive Northern Gateway oil sands pipeline across British Columbia.	"...the measure was so unexpected at the traditional pre-budget lockup for journalists that Reuters news correspondent David Ljunggren asked Finance Minister Jim Flaherty (Whitby Oshawa, Ont.) about it at a news conference before Mr. Flaherty tabled the budget in the Commons, asking Mr. Flaherty why the budget was putting the "tax police" on charities."
Sean McCarthy	Globe & Mail March 29, 2012	Ottawa clears hurdles to resource development The Globe article primarily discusses the changes to the review process for resource projects. However, the article briefly notes the Budget announcement that the CRA would step up enforcement of political activities by charities.	"While the budget doesn't single out environmental groups, it does say that "concerns have been raised that some charities may not be respecting the rules." Those concerns have largely been raised by pro-oil industry groups and Conservative MPs and Senators who have that slammed the use of foreign donations to oppose oil sands development. Environmental groups are already fully transparent and file reams of information with Revenue Canada, including donations from outside the country, said Rick Smith, president of Environmental Defence Canada."
Peter O'Neil	National Post March 29, 2012	Budget 2012 good news for Canada's oil sands, but environmentalists cry foul The National Post mainly focuses on the changes to the environmental review processes, but contrasts this with the charities Budget proposals which are perceived as focussed on environmental charities.	"The budget puts Flaherty on a collision course not only with the environmental movement but also with the new official Opposition leader, Thomas Mulcair."

Stakeholder / Organization / Individual	Source (w/links)	Comments on Changes	Notable Quotes
Rebecca Penty	<u>Calgary Herald</u> March 30, 2012	Federal budget would simplify environmental review process The Herald article briefly mentions the Charities Budget announcement, calling it a crack down on charities.	"The government cracks down on charities in the budget, by squeezing their ability to fund politically active organizations. In a January open letter promising regulatory reform, Natural Resources Minister Joe Oliver blasted "environmental and other radical groups" who he said were seeking to block energy exports by threatening to "hijack" the regulatory system, using "funding from foreign special interest groups to undermine Canada's national economic interest." "
Tonda MacCharles	<u>Toronto Star</u> March 29, 2012	A light on charities' political activities The Toronto Star provides a general description of the Budget measures, but calls these a clamp down on the political activities of charities and links these to a push back from Cabinet Ministers such as Joe Oliver.	"But the move clearly comes as part of a critical pushback by government cabinet ministers such as Natural Resources Minister Joe Oliver, who slammed environmental activist groups opposed to oilsands development, and condemned them as funded by "foreign radicals." "
Paul Wells	<u>MacLeans</u> March 29, 2012	Harper's Very Political Budget MacLean's describes the Budget 2012 changes as the Government picking a fight with environmental charities such as Tides Canada – making advocacy by such groups harder.	"Recall Natural Resources Minister Joe Oliver's Jan. 9 open letter on the Northern Gateway pipeline project. He wrote that "environmental and other radical groups" use "funding from foreign special interest groups" to kill Canadian resource development. Stopping those groups, Oliver wrote, is "an urgent matter of Canada's national interest." And now this measure. Who has raised concerns about political activities and foreign funding by charities? Ethical Oil and its affiliated Our Decision campaign, run by Conservatives with close ties to Harper's government. Now, Ethical Oil isn't a charity. Doesn't claim to be. Tides Canada does. It takes money from outside Canada (environmentalism being a global movement and all) and spends it on political advocacy to oppose oil sands and pipeline projects. This budget announces measures to make those activities harder. This is not my theory. It was cheerfully explained to me by a government staffer in the budget lockup. The Kneecap Tides Canada Provision (my name, not Finance's), incidentally, is tucked away at the end of Chapter 4, "Sustainable Social Programs and a Secure Retirement.""

Stakeholder / Organization / Individual	Source (w/links)	Comments on Changes	Notable Quotes
Peter O'Neil	Montreal Gazette March 30, 2012	<p>Environmental groups cry foul</p> <p>The Montreal Gazette article describes the Budget changes as tossing roses at the oil and gas industry and a grenade at environmental charities. The article noted that the Budget was panned by Quebec charities and severely limits their ability to speak up on large projects (presumably including changes to the review process for resource projects).</p>	
Hélène Buzzetti	Le Devoir March 30, 2012	<p>Charité bien ordonnée...</p> <p>Le Devoir generally describes the charities Budget changes but describes it as a war against militant environmental groups. The actions being taken against unions are also mentioned.</p>	<p>« Les organismes de bienfaisance (groupe environnemental, syndicat, ordre professionnel ou chambre de commerce) ne payent pas d'impôt et peuvent délivrer des reçus officiels pour les dons qu'ils reçoivent. Ottawa calcule que cette «aide» représente une perte de revenus fiscaux de 2,9 milliards par année. Un député conservateur d'arrière-ban est déjà parti en guerre à ce titre contre les syndicats. »</p>
Paul Mcleod	Chronicle-Herald March 30, 2012	<p>Tory budget toughens rules governing foreign charities</p> <p>The Chronicle Herald links the changes to foreign charities with those concerning political activities by charities.</p>	<p>"The Conservative government is threatening to decertify foreign charities that do not act "in the national interest of Canada." ... The change comes as the Conservatives have criticized environmental groups opposed to oilsands projects, such as the Keystone XL pipeline. Natural Resources Minister Joe Oliver has said that "environmental and other radical groups" are trying to undermine the Canadian economy."</p>
Daniel Proussalidis	Ottawa Sun (and other Sun papers) March 30, 2012	<p>Tories tackle pipeline delays</p> <p>The Ottawa Sun describes both the resource project review process and the changes affecting charities which are described as moving to meet concerns expressed by Joe Oliver.</p>	<p>"Green Party Leader Elizabeth May called the changes "a shot across the bow" of environmentalists in hopes they'll simply shut up."</p>
Paul Waldie	Globe & Mail March 30, 2012	<p>New rules in budget 'create more fear' among politically active charities</p> <p>The Globe article includes an interview with Tides Canada on whether the Budget is specifically designed to target them. The article also suggests that the proposals are targeting an area where there is little real abuse/concerns.</p>	<p>Marcel Lauzière, president of Imagine Canada, an umbrella organization for charities, said the budget measures are vague and he is waiting for more details. In the meantime, "there is no doubt organizations will be worried," he said. "It may well create a chill" on political activity, he said.</p>

Stakeholder / Organization / Individual	Source (w/links)	Comments on Changes	Notable Quotes
CBC News	CBC News March 30, 2012	Should charities lose their status for protesting? The CBC article generally describes the Budget changes, but ties these to a crack down on environmental groups.	"It's unbelievable that they would go to that length to silence people that disagree with them," he said.
Globe and Mail Editorial	Globe and Mail March 31, 2012	Beware of foreigners bringing money The Globe and Mail editorial is extremely negative, describing the proposals as a "witch hunt" against environmental groups.	"The Conservatives are continuing their dishonourable attack meant to intimidate environmental groups, in a budget item that stands out for adding a needless new cost."
Kathryn Blaze Carlson	National Post March 31, 2012	Eco charities face federal crackdown; Political activities The National Post article links the Budget 2012 changes to the environmental movement in Canada and Tides Canada in particular. The article is fairly neutral in tone.	"Niels Veldhuis, a Fraser Institute vice-president, said there is no question the federal government believes some environmental groups are not abiding by the rules. "The government ought to look into that," he said."
Daniel Proussalidis	The London Free Press March 31, 2012	Tides Canada CEO welcomes charity changes The article describes the reaction of Tides Canada to the Budget proposals, saying that Tides Canada welcomes these changes and states that it operates well within the limits on political activities.	"Tides Canada welcomes the provisions in the 2012 federal budget concerning transparency and accountability in the charitable sector," Tides Canada chief executive Ross McMillan said in a statement. He says Tides Canada operates "well within" the legal limits of charities' political activity, adding its grants will always be "fully compliant" with the law.
Michael Orsini	Ottawa Citizen April 2, 2012	Why the federal government picked a fight with charities The Citizen article describes the Budget proposals as a "cynical, politically motivated attempt to punish "radical" environmentalists". The article also argues that the rules on advocacy are unclear, and the changes have the potential to damage the non-profit sector.	"Stephen Harper's majority government has issued a stern warning to charities to quit doing advocacy, and behave more like charities, in the most paternalistic sense of that term."
Calgary Herald	Calgary Herald April 3, 2012	Clogging the system; Radical environmentalists can only blame themselves for crackdown by Ottawa The Calgary Herald article places the blame for the actions announced in the Budget on environmental groups and campaigns such as "Mob the mic".	"That said, environmental organizations only have themselves to blame for the crackdown on their activities, as spelled out in last week's federal budget. By organizing interveners from Brazil, who were signed up apparently without their knowledge, as we reported on some time ago, it was inevitable that the Harper Tories would react."

Stakeholder / Organization / Individual	Source (w/links)	Comments on Changes	Notable Quotes
David Ball	Vancouver Observer April 4, 2012	<p>Tides Canada responds to Ezra Levant's "money laundering" accusations</p> <p>The Vancouver observer article features a response by Tides Canada to accusations being leveled at it by various media sources. It also describes the Budget 2012 proposals noting that they do not change the rules, but merely boost audits and transparency.</p>	
2. STAKEHOLDERS AND TAX PRACTITIONERS			
Marcel Lauzière (President, Imagine Canada)	Media Release March 29, 2012	<p>Imagine Canada remained generally neutral on the Budget changes: <i>Imagine Canada will carefully analyze these proposed changes to assess their full implications and will engage actively in the consultations on these proposed amendments to the Income Tax Act. The onus is on the federal government not to discourage these donations or activities, or to add disproportionate administrative costs to charities.</i></p> <p>Imagine re-emphasised their desire to see the Stretch Tax Credit implemented: <i>We were hopeful that the government would choose to move forward with the Stretch Tax Credit at this time given the strong support the Stretch has received at the Commons Finance Committee hearings on charitable giving,</i> said Lauzière. <i>The Stretch Tax Credit is about challenging Canadians to give or to give more. Imagine Canada will continue to press for it and we look forward to the Committee's report this spring.</i></p>	
Canadian Council of Christian Charities	Website	<p>The CCCC website posting generally describes the budget changes without significant commentary. However, regarding the changes on the funding of political activities of other qualified donees, the CCCC advise that "[i]t is unclear whether the entire gift would be considered "political," even if a small portion is used for political activities by the qualified donee. Therefore, charities need to carefully examine their transfers to qualified donees to ensure that they continue to stay within political activity expenditure limits."</p>	

Stakeholder / Organization / Individual	Source (w/links)	Comments on Changes	Notable Quotes
Miller Thompson	<u>Charities and Not-for-Profit Newsletter</u> March 2012	<p>Political Activities: Miller Thompson provided a general description of the changes, but focussed on the uncertainty as to what would be captured by the inter-charity gifting rules. It is suggested that charities may start using "granting agreements designed to provide explicit limitations on the recipients' political activity."</p> <p>On the proposed transparency, the article noted that it is difficult to comment on the proposed measures without details as to what specifically would be required, but also expressed some privacy concerns.</p> <p>Foreign Charities: Apart from providing a description of this measure, Miller Thompson commented that it appeared that this change was designed to ensure that foreign qualified donees are limited to larger organizations, under the supervision of the CRA. The 1990 recommendations of the Auditor General are cited as a potential source for this change.</p> <p>Non-Profit Organizations: The newsletter also flagged that the charitable/NPO Sector were anticipating changes to the NPO tax exempt provisions. The article notes that there were no such changes, but nonetheless encourages the Department to consult before proceeding with any "ill-conceived changes".</p>	

Stakeholder / Organization / Individual	Source (w/links)	Comments on Changes	Notable Quotes
Adam Aptowitzer	Website March 2012	<p><u>Political activities</u>: The article provides a fairly neutral assessment of the current political activities legislation and administration, and the "mischief" targeted by the Budget proposals. The article criticizes the "circular nature" of the definition of political activities.</p> <p><u>Foreign Charities</u>: The article provides a basic description of the changes to the provisions which grant qualified donee status to foreign charitable organizations, and describes them as a continuation from Budget 2011.</p> <p><u>Annual Information Return</u>: The article describes the proposed suspension for filing incomplete or inaccurate information as surprising. The article notes that, as the CRA does not have the human resources to screen all T3010s, the impact of the provision will likely be on deficiencies obvious from a cursory review.</p> <p>The tax shelter changes and social enterprise announcement are briefly noted.</p>	<p>"Of the many lessons that we learned in grade four the one that resonated the longest is the admonishment not to define a word that word itself. Unfortunately, what most grade-schoolers know, the drafters of the Income Tax Act have forgotten. And so it would seem that while a court cannot opine on the charitable nature of a specific political activity we may need one to help clarify the meaning of the term generally."</p>
Ethical Oil	Ethicaloil.org <u>Press Release</u> March 29, 2012	<p>Press release commends the actions proposed in the Budget, describing environmental groups as radical special interest groups campaigning to delay infrastructure projects.</p>	<p>"The Federal government should be commended for clamping down on the partisan and political activity of special interest groups masquerading as charities. Using taxpayer subsidies to attack Canada's Ethical Oil is not charity."</p>
Ryan M. Prendergast, Theresa L.M Man, Karen J. Cooper and Terrance S. Carter	Carter's Professional Corporation <u>website</u> March 30, 2012	<p>Bulletin generally summarizes Budget 2012 proposals with little commentary.</p> <p><u>Political activities</u>: With respect to political activities, the bulletin, notes that there is uncertainty as to what the phrase "includes the making of a gift to a qualified donee if it <u>can reasonably be considered</u> that a purpose of the gift is to support the political activities of the qualified donee" will mean in practice.</p>	

Stakeholder / Organization / Individual	Source (w/links)	Comments on Changes	Notable Quotes
Mark Blumberg	GlobalPhilanthropy.ca March 30, 2012	Budget 2012 changes rules for category of foreign charities to whom the Federal Gov has made a gift The article is generally supportive of the changes and, while acknowledging that this is a narrowing of the existing provision states that it could provide clarity and may add to the number of groups which become registered overall.	"Time will tell but there is a significant category of foreign prescribed universities and perhaps in a few years there will be a few dozen foreign charities added to the "Gifts to Certain Charitable Organizations Outside Canada" list. Keep in mind that Canadians have already a lot of choice when it comes to international programs and over 5200 Canadian charities spent funds outside of Canada. So there is no shortage of places to donate if you want to make this world a better place."
Mark Blumberg	GlobalPhilanthropy.ca March 30, 2012	Federal Budget 2012 - transparency and political activities. The article provides the Budget text and makes a few related points: <ul style="list-style-type: none"> • The changes highlight the importance of filing an accurate T3010 form. • That the main issue for charities with respect to political activities is that these are simply not reported. • That the proposed changes with respect to funding the political activities of other qualified donees will likely have little impact on most charities. 	"I would have preferred that instead of focusing on foreign funds received by Canadian charities for political purposes when charities have to disclose already when they receive foreign funds and how much - that the Federal government look at the secrecy surrounding non-profit entities that are not registered charities. These non-profits are tax exempt and there is no public disclosure of their finances."
Rachel Kalbfleisch	CharityVillage.ca (link) April 2, 2012	The 2012 Federal Budget – What Charities and Nonprofits Need to Know <u>Political Activities</u> : The article describes the Budget changes in general, but also describes these as a crack down on political charities. <u>Foreign Charities</u> : The article erroneously describes the foreign charities measure as the government threatening to decertify foreign charities that do not act in the national interest of Canada. However, the article then proceeds to provide a generally accurate description of the proposals.	

Stakeholder / Organization / Individual	Source (w/links)	Comments on Changes	Notable Quotes
Diane Bertolin	Collective PC Magazine April 2, 2012	<p>Charities and their political activities...how the 2012 Federal budgets are impacting charities!</p> <p>The article generally describes the changes in the Budget, but highlights that while there are no "big changes", the Government will be holding charities more accountable. The article also highlights that a significant issue will be what is considered political by the CRA.</p>	<p>"Most Canadians support the activities of charitable organizations. In fact, 71 percent of Canadians surveyed in an Ipsos Reid poll (March 29, 2012) stated that they believe charities provide valuable support to Canadians in need, particularly where there is a gap of service provided by government and/or private industry. We Canadians also support charities for a variety of different reasons, and when Ipsos conducted its poll, Canadians were asked why they supported charities, and the notion of 'political advocacy' did not make the list."</p>

Economic Action Plan 2012

Enhancing Oversight of Political Activities by Charities (New)

- **Enhance education and compliance activities (New)**
- **Improve transparency (New)**
- **Intermediate Sanctions (New)**
- **Funding of Political Activities (New)**

Rationale

To ensure that registered charities appropriately devote their resources to charitable, rather than political, activities.

Why It's Needed

Canadians have shown that they are willing to donate generously to support charities, but want to have confidence that charities are using their resources appropriately. In this regard, charities are required by law to operate exclusively for charitable purposes, and must limit the extent to which they engage in political activities.

Recently, concerns have been raised that some charities may be engaging in excessive amounts of political activity. There have also been calls for greater public transparency related to the political activities of charities, including the extent to which they may be funded by foreign sources.

What We're Announcing

To enhance charities' compliance with the rules with respect to political activities, Budget 2012 proposes that that the Canada Revenue Agency (CRA):

- Enhance its education and compliance activities with respect to political activities by charities; and
- Improve transparency by requiring that charities provide more information on their political activities, including the extent to which these are funded by foreign sources.

To ensure that charities do not circumvent the limits on political activities and that the CRA has the means to ensure compliance, Budget 2012 also proposes to amend the Income Tax Act to:

- Restrict the extent to which charities may fund the political activities of other qualified donees; and

- Introduce new sanctions for charities that exceed the limits on political activities, or that fail to provide complete and accurate information on their annual return.

How It Will Keep Our Economy Strong

These measures will enhance the confidence of Canadians that donations of their hard-earned dollars are being used for charitable, rather than political, activities. A strong charitable sector will contribute to the well-being of all Canadians.

What Happens Next

Over the coming year, the CRA will implement education and compliance activities with respect to political activities by charities. The CRA will also revise the Registered Charity Information Return to increase transparency around the political activities of charities, and the extent to which these are funded by foreign sources. The proposed amendments to the Income Tax Act would be effective upon Royal Assent to the enacting legislation.

Enhancing Oversight of Political Activities by Charities

Q. What impact will these changes have on charities?

A. All charities will benefit from CRA's enhanced public outreach activities as well as resources and tools designed to ensure that charities understand the rules around political activities.

Charities are currently required to complete an annual Registered Charity Information Return. Information from this return is made public and provides a wide range of information on the finances and activities of charities. To enhance transparency, charities will now be required to provide more detailed information on how they carry out their political activities, including the extent to which these are funded by foreign sources.

Currently, charities can transfer resources to qualified donees for the purpose of political activities. Such amounts are considered to be part of the charity's charitable activities and are not included in its limitations on political activities. Under the Budget proposal, transfers to other qualified donees for the purpose of political activities will now be considered as expenditures on political activities by the transferring charity.

For the vast majority of registered charities, it is expected that these changes will have little impact.

List of Tax Policy Items requiring a “budget measure” template for the Budget Briefing Book

1. Scientific Research and Experimental Development Tax Incentive Program
2. Mineral Exploration Tax Credit for Flow-Through Share Investors
3. Support for the Tourism Industry
4. Reducing Red Tape: GST/HST Streamlined Accounting Thresholds & Split-Dividend Designation
5. A Fair Business Tax System (i.e., MEDTC and AITC)
6. Expanding Tax Support for Clean Energy Generation
7. Review of the Registered Disability Savings Plan
8. Health-Related Tax Measures
9. Enhancing Oversight of Political Activities by Charities
10. Improving the Functioning of the Tax System (i.e. International Tax, Group Tax, Life Insurance Policy Exemption Test)

FILE NUMBER:	CHA501
SUBJECT:	Increasing the Charitable Donations Tax Credit rate
STATUS:	XYELLOW – sent to MO for approval April 19, 2012
SOURCE:	Personal Income Tax Division
DATE CREATED:	June 4, 2009
REVISED BY DCU:	June 5, 2009; April 19, 2012
REVISED BY DEPT:	June 4, 2009; April 9, 2010 (no changes); May 25, 2011; April 13, 2012
APPROVED BY MO:	June 8, 2009
TRANSLATED:	No, Cheetah
CONTACT:	Sharmila Khare, PIT (992-7012)
ENCLOSURES:	None
NOTES:	--
CONTENTS:	--

The Charitable Donations Tax Credit provides a significant incentive for individuals to donate to registered charities. This non-refundable federal income tax credit allows donors to receive tax assistance for donations up to 75 percent of their net income (100 percent in certain cases), and any unused donations can be carried forward for up to five years. On the first \$200 of annual donations, the Credit is calculated by reference to the lowest personal income tax rate of 15 percent. On the portion of donations over \$200, the Credit provides tax assistance of 29 percent. This two-tier system encourages individuals to donate more to charities by providing progressively more tax assistance as donations increase.

The provincial and territorial governments also provide charitable donation credits. When combined, the average tax assistance from the federal and provincial or territorial governments totals about 46 percent for charitable donations of more than \$200.

In Budget 2006, our Government took an important step to increase the incentive for donations by eliminating the capital gains tax on donations of publicly listed securities to public charities. To further encourage donations, Budget 2007 extended the capital gains exemption to donations of listed securities to private foundations as well. In addition, Budget 2008 exempted from tax the capital gain arising on the exchange of certain exchangeable securities, where the securities acquired on the exchange are themselves eligible for a capital gains exemption and are donated to a registered charity within 30 days of the exchange.

This Government recognizes that charities rely on the generosity of Canadians and has taken action to encourage it. In this regard, you may be interested to know that our Government has asked the House of Commons Standing Committee on Finance to undertake a study of charitable donation incentives. This study is currently underway. If you wish to contact the Committee, it can be reached through the Committee Clerk at the House of Commons, Ottawa, Ontario, K1A 0A6.

FILE NUMBER:	CHA550
SUBJECT:	Political and Charitable Donations Tax Credits
STATUS:	XYELLOW – sent to MO for approval April 19, 2012
SOURCE:	Personal Income Tax Division
DATE CREATED:	unknown
REVISED BY DCU:	Sept3, 2003; April 2005; October 27, 2006; December 27, 2007; January 8, 2008; May 7, 2010; April 19, 2012
REVISED BY DEPT:	Sept/03, April 2005; October 27, 2006; April 27, 2007; March 11, 2009; May 7, 2010; April 13, 2012
APPROVED BY MO:	April 12, 2005; November 20, 2006; January 25, 2008; June 11, 2010
TRANSLATED:	Yes
CONTACT:	Sharmila Khare, PIT (992-7012)
ENCLOSURES:	none
NOTES:	Remember to update with new 2013 tax rates CHA550a & CHA550b were combined October 27, 2006 into a single file.
CONTENTS:	--

Thank you for your correspondence of DATE regarding why certain contributions to political parties are treated more favourably than donations to registered charities.

In comparing the Charitable Donations Tax Credit with the Political Contributions Tax Credit, it is important to highlight that these incentives have different objectives. The Charitable Donations Tax Credit is designed to encourage larger donations to charities. In 2012, this federal credit provided tax assistance at 15 percent on the first \$200 of donations and 29 percent on the portion of donations over that amount. However, the provincial and territorial governments also provide charitable donation tax credits. When combined, the average tax assistance from the federal and provincial or territorial governments totals about 46 percent for charitable donations over \$200.

Further, donors to registered charities can claim charitable donations on up to 75 percent of their net income (100 percent in certain cases), and any unused charitable contributions can be carried forward for up to five years. The high net income limits and carry-forward available with the charitable donation credit encourage larger donations to charities.

The goal of the Political Contributions Tax Credit, by contrast, is to encourage as many Canadians as possible to make modest contributions to political parties and candidates in order to promote broad public participation in the political process. This Credit provides progressively less tax assistance as more is given, with the maximum tax credit of \$650 attained when contributions reach \$1,275. In addition, the Credit must be claimed in the year the contribution is made. Finally, a wide range of property can be donated to charity and entitle the donor to the Charitable Donations Tax Credit, while contributions in kind are not eligible for the Political Contributions Tax Credit.

Our Government has taken significant steps in recent years to further enhance the incentives for charitable giving. This includes measures to completely eliminate the capital gains tax associated with donations of publicly listed securities and donations of ecologically sensitive land.

You may also be interested to know that our Government has asked the House of Commons Standing Committee on Finance to undertake a study of charitable donation incentives. This study is currently underway. If you wish to contact the Committee, it can be reached through the Committee Clerk at the House of Commons, Ottawa, Ontario, K1A 0A6.

FILE NUMBER:	CHA552
SUBJECT:	Political activities of charities
STATUS:	XYELLOW – sent to MO for approval May 4, 2012
SOURCE:	Personal Income Tax Division
DATE CREATED:	May 3, 2012
REVISED BY DCU:	May 3, 2012
REVISED BY DEPT:	May 3, 2012
APPROVED BY MO:	Not yet
TRANSLATED:	Not yet
CONTACT:	Blaine Langdon, PIT (992-4944)
ENCLOSURES:	None
NOTES:	--
CONTENTS:	--

Thank you for your correspondence of DATE concerning transparency and accountability around the political activities of charities.

Under the *Income Tax Act* (ITA), registered charities are required to operate exclusively for charitable purposes and devote their resources exclusively to charitable activities. Charitable purposes include the relief of poverty, the advancement of education or religion, and certain other purposes recognized by the courts as charitable. Political purposes, such as those designed to influence law or government policy, are not considered to be charitable.

The ITA does allow charities to engage in a limited amount of non-partisan political activity, generally representing no more than ten percent of a charity's resources each year. However, these activities must directly relate to the achievement of the charitable purposes of the charity. These provisions strike a balance between recognizing the contribution charities can make to the public policy process and ensuring that tax-assisted donations are predominantly directed towards charitable purposes.

In Budget 2012, our Government has proposed a series of measures to ensure that charities are devoting their resources primarily to charitable activity, and to enhance public transparency and accountability in this area.

Specifically, Budget 2012 allocates funding to the Canada Revenue Agency (CRA) to enhance the availability of education and guidance to charities to ensure they understand the rules respecting political activities. The CRA will also enhance its compliance efforts with respect to political activities by charities, and require charities to provide more information on their political activities, including the extent to which these are funded by foreign sources.

Further, to provide CRA with the tools to ensure that charities follow the rules, new sanctions may apply to charities that exceed the limits on political activities, or that fail to provide complete and accurate information in relation to any aspect of their annual return. Currently, where a charity does not follow these rules, the only sanction available to the CRA is to permanently revoke that organization's registered status.

Finally, Budget 2012 also proposes certain changes to prevent charities from circumventing the existing limitations on political activities by funding the political activities of other groups.

Taken together, these measures, which would apply across the charitable sector, will enhance the confidence of Canadians that donations of their hard-earned dollars are being used for charitable activities, while at the same time, ensuring that charities have the ability to contribute to the public policy process.