



Canada Revenue
Agency

Agence du revenu
du Canada

REGISTERED MAIL

Fountains of Life Spanish Pentecostal Church


BN: 89366 0324

Attention: Hector Melendez

File #: 0943415

May 7, 2013

**Subject: Revocation of Registration
 Fountains of Life Spanish Pentecostal Church**

Dear Sir:

The purpose of this letter is to inform you that a notice revoking the registration of Fountains of Life Spanish Pentecostal Church (the Organization) was published in the *Canada Gazette* on May 4, 2013. Effective on that date, the Organization ceased to be a registered charity.

Consequences of Revocation:

- a) The Organization is no longer exempt from Part I tax as a registered charity and **is no longer permitted to issue official donation receipts**. This means that gifts made to the Organization are no longer allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3), or paragraph 110.1(1)(a), of the *Income Tax Act*, respectively.
- b) By virtue of section 188 of the Act, the Organization will be required to pay a tax within one year from the date of the Notice of Intention to Revoke. This revocation tax is calculated on prescribed form T-2046, *Tax Return Where Registration of a Charity is Revoked* (the Return). The Return must be filed, and the tax paid, on or before the day that is one year from the date of the Notice of Intention to Revoke. A copy of the Return is enclosed. The related Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, is available on our website at www.cra-arc.gc.ca/E/pub/tg/rc4424.

Section 188(2) of the Act stipulates that a person (other than a qualified donee) who receives an amount from the Organization is jointly and severally liable with the Organization for the tax payable under section 188 of the Act by the Organization.

- c) The Organization no longer qualifies as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (ETA). As a result, the Organization may be subject to obligations and entitlements under the ETA that apply to organizations other than charities. If you have any questions about your GST/HST obligations and entitlements, please call GST/HST Rulings at 1-888-830-7747 (Quebec) or 1-800-959-8287 (rest of Canada).

In accordance with *Income Tax Regulation* 5800, the Organization is required to retain its books and records, including duplicate official donation receipts, for a minimum of two years after the Organization's effective date of revocation.

Finally, we wish to advise that subsection 150(1) of the Act requires that every corporation (other than a corporation that was a registered charity throughout the year) file a *Return of Income* with the Minister of National Revenue (the Minister) in the prescribed form, containing prescribed information, for each taxation year. The *Return of Income* must be filed without notice or demand.

If you have any questions or require further information or clarification, please do not hesitate to contact the undersigned at the numbers indicated below.

Yours sincerely,



Danie Huppé-Cranford
Director
Compliance Division
Charities Directorate
Telephone: 613-957-8682
Toll free: 1-800-267-2384

Enclosures

- Copy of the Return (form T-2046)
- Canada Gazette publication

c.c.: Moreno Management Inc.
155 Rexdale Blvd
Suite 706
Etobicoke ON M9W 5Z8



Canada Revenue
Agency

Agence du revenu
du Canada

MAR 25 2013

REGISTERED MAIL

Fountains of Life Spanish Pentecostal Church
[Redacted]

BN: 89366 0324RR0001

Attention: Hector Melendez

File #:0943415

**Subject: Notice of Intention to Revoke
 Fountains of Life Spanish Pentecostal Church**

Dear Mr. Melendez:

I am writing further to our letter dated October 4, 2012 (copy enclosed), in which you were invited to submit representations as to why the registration of Fountains of Life Spanish Pentecostal Church (the Organization) should not be revoked in accordance with subsection 168(1) of the *Income Tax Act*.

We have now reviewed and considered your written response(s) dated October 29, 2012. However, notwithstanding your reply, our concerns with respect to the Organization's non-compliance with the requirements of the Act for registration as a charity have not been alleviated. Our position is fully described in Appendix "A" attached.

Conclusion:

The Canada Revenue Agency's (CRA) audit has revealed that the Fountains of Life Spanish Pentecostal Church (the Organization) is not complying with the requirements set out in the *Income Tax Act*. In particular, it was found that the Organization failed to maintain adequate books and records, provided significant undue benefits to an individual, did not retain direction and control over its resources, issued donation receipts that did not meet the requirements of Regulation 3501, and incorrectly filed the T3010, *Registered Charity Information Return*.

For all of these reasons, and for each reason alone, it is the position of the CRA that the Organization no longer meets the requirements necessary for charitable registration and should be revoked in the manner described in subsection 168(1) of the Act.

Consequently, for each of the reasons mentioned in our letter dated October 4, 2012, I wish to advise you that, pursuant to subsection 168(1) of the Act, I

Canada

Place de Ville, Tower A
320 Queen Street, 13th Floor R350 E (08)
Ottawa ON K1A 0L5

propose to revoke the registration of the Organization. By virtue of subsection 168(2) of the Act, revocation will be effective on the date of publication of the following notice in the *Canada Gazette*:

Notice is hereby given, pursuant to paragraphs 168(1)(b), 168(1)(c), 168(1)(d) and 168(1)(e) of the Income Tax Act, that I propose to revoke the registration of the organization listed below and that the revocation of registration is effective on the date of publication of this notice.

Business Number
893660324RR0001

Name
Fountains of Life Spanish
Pentecostal Church
Toronto ON

Should you wish to object to this notice of intention to revoke the Organization's registration in accordance with subsection 168(4) of the Act, a written Notice of Objection, which includes the reasons for objection and all relevant facts, must be filed within **90 days** from the day this letter was mailed. The Notice of Objection should be sent to:

Tax and Charities Appeals Directorate
Appeals Branch
Canada Revenue Agency
250 Albert Street
Ottawa ON K1A 0L5

Notwithstanding the filing of an Objection, a copy of the revocation notice, described above, will be published in the *Canada Gazette* after the expiration of 30 days from the date this letter was mailed. The Organization's registration will be revoked on the date of publication.

A copy of the relevant provisions of the Act concerning revocation of registration, including appeals from a notice of intent to revoke registration can be found in Appendix "B", attached.

Consequences of Revocation

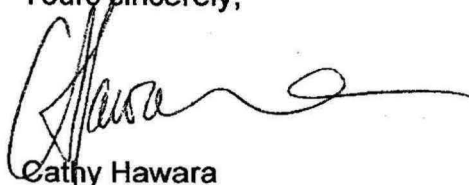
As of the effective date of revocation:

- a) the Organization will no longer be exempt from Part I Tax as a registered charity and **will no longer be permitted to issue official donation receipts**. This means that gifts made to the Organization would not be allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3), or paragraph 110.1(1)(a), of the Act, respectively;

- b) by virtue of section 188 of the Act, the Organization will be required to pay a tax within one year from the date of the Notice of Intention to Revoke. This revocation tax is calculated on prescribed form T-2046, *Tax Return Where Registration of a Charity is Revoked* (the Return). The Return must be filed, and the tax paid, on or before the day that is one year from the date of the Notice of Intention to Revoke. A copy of the relevant provisions of the Act concerning revocation of registration, the tax applicable to revoked charities, and appeals against revocation, can be found in Appendix "B" attached. Form T-2046 and the related Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, are available on our website at www.cra-arc.gc.ca/charities;
- c) the Organization will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act*. As a result, the Organization may be subject to obligations and entitlements under the *Excise Tax Act* that apply to organizations other than charities. If you have any questions about your GST/HST obligations and entitlements, please call GST/HST Rulings at 1-888-830-7747 (Quebec) or 1-800-959-8287 (rest of Canada).

Finally, I wish to advise that subsection 150(1) of the Act requires that every corporation (other than a corporation that was a registered charity throughout the year) file a *Return of Income* with the Minister in the prescribed form, containing prescribed information, for each taxation year. The *Return of Income* must be filed without notice or demand.

Yours sincerely,



Cathy Hawara
Director General
Charities Directorate

Attachments:

- CRA letter dated October 4, 2012
- Representation dated October 29, 2012
- Appendix "A", Response to representation
- Appendix "B", Relevant provisions of the Act

c.c.: Moreno Management Inc.
155 Rexdale Blvd
Suite 706
Etobicoke ON M9W 5Z8

Copy.



CANADA REVENUE
AGENCY

AGENCE DU REVENU
DU CANADA

REGISTERED MAIL

FOUNTAINS OF LIFE SPANISH PENTECOSTAL CHURCH
[Redacted]

Attention: Hector Melendez

BN: 89366 0324RR0001

File #:0943415

October 4, 2012

Subject: Audit of Fountains of Life Spanish Pentecostal Church

Dear Mr. Melendez:

This letter is further to the audit of the books and records of the Fountains of Life Spanish Pentecostal Church (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period from January 1, 2009 to December 31, 2010.

At our meeting of September 14, 2012, you were advised that the CRA has identified specific areas of non-compliance with the provisions of the *Income Tax Act* (the Act) and/or its *Regulations* in the following areas:

AREAS OF NON-COMPLIANCE:		
	Issue	Reference
1.	Failure to Maintain Adequate Books and Records	149.1(2), 168(1)(e), 230(2)
2.	Undue Benefits	149.1(2), 168(1)(d)
3.	Official Donation Receipts	Regulation 3501 IT 110R3
4.	Activities Outside of Canada	149.1(1), 149.1(6), 168(1)(b)
5.	Charity Information Returns - Incorrect Filing	Paragraph 168(1)(c) Subsection 149.1(14)

The purpose of this letter is to describe the areas of non-compliance identified by the CRA during the course of the audit as they relate to the legislative and common law requirements applicable to registered charities, and to provide the Organization with the opportunity to make additional representations or present additional information. Registered charities must comply with the law, failing which the Organization's registered status may be revoked in the manner described in section 168 of the Act.

The balance of this letter describes the identified areas of non-compliance in further detail.

Identified Areas of Non-Compliance:

1. Inadequate Books and Records

The ITA, per subsection 230(2), requires that every registered charity shall keep records and books of account at an address in Canada recorded with the Minister or designated by the Minister containing:

- a) Information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under the Act;
- b) A duplicate of each receipt containing prescribed information for a donation received by it; and
- c) Other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under the Act.

In addition, subsection 230(4) also states "every person required by this section to keep books of account shall retain:

- a) The records and books of account referred to in this section in respect of which a period is prescribed, together with every account and voucher necessary to verify the information contained therein, for such period as is prescribed; and
- b) All other records and books of account referred to in this section, together with every account and voucher necessary to verify the information contained therein, until the expiration of six years from the date of the last taxation year to which the records and books relate".

Audit results indicate that the Organization's books and records were inadequate and the Organization failed to comply with subsection 230(2) of the Act to maintain adequate books and records.

- The Charity had reported total tax-receipted revenue of \$101,623 in 2010 and \$125,403 in 2009. Copies of receipts were not made available and therefore these amounts as reported could not be vouched nor verified.

- Based on information provided to CRA, very little of the documentation supported the expenses reported on the T3010 Information Returns.
- No minute books were maintained
- Review of the general ledger indicated that regular payments were made to a line of credit. The line of credit statements were not made available for review, and the organization could not provide an explanation for the purpose of this line of credit
- Control of money: Regular withdrawals from the bank deposits were taken by Pastor Daniel Melendez (\$500 weekly) and personal expenses were paid. No notation of approval from the board of directors as no minute books maintained and cheques were only required to be signed by one authorized individual. During the preliminary interview, it did not appear that current board of directors were aware of this.

2. Undue Benefits

Paragraph 149.1(1)(b) of the Act stipulates that no part of a charity's income is payable or otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settler thereof. The CRA considers the meaning of the term "trustee", for registered charity purposes, to include those persons who stand in a fiduciary relationship to the charity, having general control and management of the administration of a charity, including directors of corporations established for charitable purposes. This is, essentially, a rule against self-dealing, reflecting the general rule of equity that a trustee must not profit out of his position of trust, nor must he place himself in a position where his duties as a trustee conflict with his own interests. It is also a statutory embodiment of the common law test that individuals with ties to a charity should not profit from their association with the charity.

Audit findings indicate that benefits paid by the organization, including the rent-free housing, personal use of a vehicle, insurance payments, weekly cash withdrawals, etc. are not included on the T4/T4A Statement of Remuneration. In addition, the Organization was unable to provide adequate supporting documents for many of the charitable activities and expenses incurred by the Organization during the audit period. Accordingly, an undue benefit of \$120,700 was conferred upon to Pastor Daniel Melendez during 2009 and 2010 as follows:

Unreported Benefits - 2010	\$64,393.56
Unreported Benefits - 2009	<u>\$56,308.54</u>
Total Undue benefit	\$120,700.10

(See Appendix A for details)

In addition, in reviewing that source documents available and the general ledger, amounts were paid to a line of credit which did not appear to belong to the organization, flight tickets were purchased, and other transfers outside of Canada were made. It does not appear that these amounts were approved by members of the board of directors. It was discussed during our meeting of May 16, 2012, and it did not appear that the current board of directors were aware of these expenses.

3. Official Donation Receipts

The law provides various requirements with respect to the issuing of official donation receipts by registered charities. These requirements are contained in Regulations 3500 and 3501 of the Act and are described in some detail in Interpretation Bulletin IT-110R3 Gifts and Official Donation Receipts.

The audit reveals that the donation receipts issued by the Organization did not comply with the requirements of Regulation 3501 of the Act and IT-110R3. The following pertains to the current official receipts used:

- (1) The Organization must retain at least one duplicate copy of the official income tax receipt (paper or electronic). The organization was unable to provide any copies of the official donation receipts issued during the audit period. Charities are expected to guard against the unauthorized use, loss or theft of official donation receipts. In the event of lost or stolen receipts, the charity should notify the Charities Directorate.

The remaining audit findings are based on our review of samples of 2011 receipts provided as duplicates of the 2009 and 2010 were not available for review. It was indicated that the 2011 official donation receipts made available are a sample of what are currently used by the organization:

- (2) There appears to be a lack of control over the donation receipts. It was noted that the current official donation receipts are prepared on the treasurer's personal computer at her home residence which is not password protected and not in a locked office. (Paragraph 18 of IT-110R3).
- (3) The address of the donor is required to be included on all official donation receipts (Regulation 3501(1)(g)).
- (4) The name and website of the Canada Revenue Agency should be on all official donation receipts. (Regulation 3501(1)(j)).
- (5) The organization's registration number as registered with the Canada Revenue Agency. Currently, the receipt indicates the business number with a "RP" (this is the payroll account), the registration number should be indicated with an "RR".

4. Activities outside of Canada:

The Income Tax Act permits a registered charity to carry out its charitable purposes both inside and outside Canada, in only two ways:

- It can make gifts to other organizations that are on the list of qualified donees set out in the Act. Qualified donees include Canadian registered charities, certain universities outside Canada, the United Nations and its agencies and a few foreign charities.
- It can carry on its own activities. In contrast to the relatively passive transfer of money or other resources involved in making gifts to qualified donees, carrying on one's own activities implies that the Canadian charity is an active and controlling participant in a program or project that directly achieves a charitable purpose.

In order to give meaning and effect to the Income Tax Act, a charity must continue to meet all of its obligations whether the activities are undertaken directly, through agency agreements or through any other arrangements. Since the Act requires a charity to show that it effectively directs and actually controls its own activities, the agency agreement that a charity puts in place and the manner in which the charity implements that agreement must allow the charity to discharge its statutory obligations.

The existence of either a written or verbal agency agreement is only one example of evidence required to show that a sufficient principal-agent relationship truly exists. The charity through documented evidence, must demonstrate that actual events transpired which prove the continued existence of the principal-agent relationship. Thus, the charity must provide the CRA with a means of examining the internal decision making mechanisms within the charity's own structure through records, such as: minutes of board meetings; internal communications (i.e., memoranda); as well as, policies and procedures that show that the charity, by directing and controlling each of its activities, acted as the guiding-mind in the principal-agent relationship. In addition, the charity must provide source documentation, reports, and the various other instruments it received from its agent showing that throughout the life of the principal-agent relationship, the agent reported back to the principal in such a manner and frequency as to allow the principal to make informed decisions about the resources and projects for which the principal was responsible.

It is the CRA's view that this type of reporting mechanism is necessary for the charity to clearly demonstrate that it maintains an adequate level of control and accountability over the use of its funds. These reports would have to be kept with the charity's other records and books of account at the address recorded with the CRA.

For purposes of the Act, when a registered charity merely transfers its resources to another entity (assuming the entity is a non-qualified donee), but fails to maintain

effective direction and actual control over those resources, the result is the same as a gift to a non-qualified donee. Allowing a non-qualified donee to take near total control of the resources of a registered charity nullifies the purpose and intent of the Act.

A charitable organization is not at liberty to transfer funds or resources to other individuals or entities unless the recipient is an employee of the charity, an agent of the charity under contract, or a qualified donee. To this end, the charity must be able to demonstrate to the CRA's satisfaction that it maintains control over, and is fully accountable for, the use of resources provided to the intermediary, at all times.

In reviewing the books and records, we found that there were occasions in which funds were transferred to Nicaragua. In addition, there are instances where flight tickets are paid by the Organization for trips to Nicaragua in 2009. Due to the inadequacy of the books and records, as noted earlier, it is difficult to determine how much, if any of the Organization's expenses are related to programs outside Canada.

In subsequent discussions with the treasurer, it was indicated that the organization does not participate in any activities outside of Canada. It was explained that the only instances where funds may have been transferred outside of Canada would have been through another organization. The source documents relating to the funds being transferred to Nicaragua would only be included by error as one of the board of directors worked with the other organization that deals with sending funds outside of Canada.

5. Errors/Omissions on Information Return:

Legislation:

Pursuant to subsection 149.1(14) of the Act, every registered charity must, within six months from the end of the charity's fiscal year end, file a Registered Charity Information Return with the applicable schedules.

It is the responsibility of the charity to ensure that the information that is provided in its return, schedules and statements, is factual and complete in every respect. A charity is not meeting its requirements to file an Information Return if it fails to exercise due care with respect to ensuring the accuracy thereof.

The audit revealed:

The amounts reported as expenditures on the T3010 returns were also likely incorrect. As noted above under **Books and Records**, there was very little documentation to support most of the expenses claimed.

(1) *Line 4800 to 4950 – Expenditures*

The expenditures claimed by the organization could not be verified to adequate supporting documentation. In addition, based on the source documents that were made available, it could not be determined what accounts said expenditures may have been included on the T3010.

(3) *Line 5000's – Breakdown of Expenditures*

The Line 5000's on T3010A for 2010 and 2009 could not be reconciled. It appears that all expenses are included on Line 5000 – total Expenditures on Charitable Programs and the salaries and wages is included on Line 5010 – Total expenditures on management and administration. However, based on discussions with the organization, this was done incorrectly as the salaries and wages are related to the Pastor which should have been included on Line 5000 as a charitable program.

(4) *Qualified Donees*

As noted above, it was discussed during our meeting of September 14, 2012, that amounts are gifted to other charitable organization, qualified donees. These amounts were not reported properly on the T3010A on Line 5050 – Total gifts to qualified donees excluding enduring property or under section C3 of the return.

(5) *Liabilities*

A reconciliation of the accounts payable was not provided. In 2009 the total liabilities is recorded as \$0, and in 2010 the total liabilities is \$173,891. However, based on our review of the books and records, the source of the liability and reason for the large increase cannot be determined. A reconciliation was requested in our letter dated June 4, 2012, however has not been provided to date.

The Organization's Options:

a) No Response

You may choose not to respond. In that case, the Director General of the Charities Directorate may give notice of its intention to revoke the registration of the Organization by issuing a Notice of Intention in the manner described in subsection 168(1) of the Act.

b) Response

Should you choose to respond, please provide your written representations and any additional information regarding the findings outlined above **within 30 days** from the date of this letter. After considering the representations

submitted by the Organization, the Director General of the Charities Directorate will decide on the appropriate course of action, which may include:

- no compliance action necessary;
- the issuance of an educational letter;
- resolving these issues through the implementation of a Compliance Agreement; or
- giving notice of its intention to revoke the registration of the Organization by issuing a Notice of Intention in the manner described in subsection 168(1) of the Act.

If you appoint a third party to represent you in this matter, please send us a written authorization naming the individual and explicitly authorizing that individual to discuss your file with us.

If you have any questions or require further information or clarification, please do not hesitate to contact me at the numbers indicated below.

Yours sincerely,



Megan O'Hara
Audit Division
Kitchener-Waterloo Tax Services Office

Telephone: [REDACTED]
Facsimile: (519) 585-2803
Address: 166 Frederick Street
Kitchener, ON N2G 4N1

APPENDIX A

Items of Personal Benefit to Senior Pastor D. Melendez - 2010

Insurance withdrawal from TD Canada Trust Bank each month of \$387.50 x 12 months =	4,650.00
Rent for apartment 	9,243.00
Car Payments to Vista Financial/TD Canada Trust	14,551.26
Repairs & Maint to D. Melendez Vehicle	1,500.00
Telephone	1,948.30
Travel & Entertainment	1,500.00
"Item Assembly Costs" Pmts to Daniel Melendez	6,000.00
Cash Payments (from below review of GL)	<u>25,000.00</u>
Total Unreported Benefits	64,392.56

Items of Personal Benefit to Senior Pastor D. Melendez - 2009

Total Cash Payments to Daniel Melendez	26,330.00
Rent	10,720.00
Motor Vehicle Expenses	12,350.18
Vehicle Repairs	4,087.20
Vehicle Monthly payments	8,262.98
Insurance (\$237.50/month x 12 months)	2,850.00
Telephone	<u>4,057.36</u>
Total Unreported Benefits	\$ 56,307.54

[REDACTED]

per letter

per GL

per GL

per GL

per GL

[REDACTED]

see below

per letter

per financial statements

per financial statements

Below please find:

- (1) A summary of the issues raised by the Canada Revenue Agency (CRA) in our letter of October 4, 2012;
- (2) The response provided by the Fountains of Life Spanish Pentecostal Church (the Organization) in its representations of October 29, 2012; and
- (3) The CRA's conclusion.

Issue: Failure to Maintain Adequate Books and Records

The audit revealed the Organization failed to comply with the requirement in subsection 230(2) of the *Income Tax Act* to maintain adequate books and records.

The Organization was unable to provide copies of official donation receipts, very little documentation was provided to support reported expenditures, and no minute books were maintained.

The general ledger indicated that regular payments were made to a line of credit. When asked about this line of credit, the Organization was unaware of its existence and could not provide an explanation for its purpose. The statements for the line of credit were not provided for review.

The review also revealed weekly withdrawals of \$500 from the bank deposits by Pastor Daniel Melendez and, in addition, payments were made for his personal expenses. There was no notation of approval from the board of directors on this arrangement as no minute books were maintained. During the preliminary interview, the current board of directors appeared to be unaware of this arrangement. It was noted that cheques only required the signature of one authorized individual.

Representation:

The response stated that the Organization is now keeping a copy of all records and donation receipts that it issues, receipts will be made available to verify reported expenses, all the books and records will be kept in one location for the required time, the board of directors will meet according to guidelines and the minutes of these meetings will be recorded to show the decisions relating to its finances. Finally, the Organization stated it does not have a line of credit.

Conclusion:

The Organization failed to provide any additional documentation to alleviate concerns raised by the CRA with respect to inadequate books and records. More specifically, there was no documentary evidence provided demonstrating that the Organization used its funds solely for charitable purposes or that it maintained control over its funds at all times. On the contrary, evidence was revealed during the audit that the Organization's funds were used by its directors for their personal benefit. In addition, no documentation was provided regarding the issuance of over \$225,000 in official donation receipts during the period under audit.

The response failed to address the CRA's concerns regarding the Organization's control over its funds. The representation simply stated that "cheques from the church already require two signatures from authorized board members."

In spite of repeated denials by the Organization, the audit revealed payments to non-qualified donees outside of Canada.

The Organization stated it does not have a line of credit. However, documentary evidence indicated regular payments were being made to a line of credit at TD Canada Trust, Account Number 1305-3287679. In our request for information of June 4, 2012, the Organization was asked for an explanation as to the nature of these payments. No explanation was provided at that time nor has one been provided to date.

Such discrepancies would suggest the Organization did not have complete control over its resources, that it did not have any idea what activities were purportedly being carried out on its behalf. The Organization did not keep and maintain sufficient books and records for the CRA to determine that its registration should be continued.

Issue: Undue Benefits

The audit revealed that benefits paid by the Organization were not included on the T4/T4A Statement of Remuneration. These benefits had included rent-free housing, personal use of a vehicle, insurance payments, and weekly cash withdrawals.

Accordingly, an undue benefit of \$120,700.10 was conferred upon to Pastor Daniel Melendez during 2009 and 2010 as follows:

Unreported Benefits - 2010	\$64,392.56
Unreported Benefits - 2009	<u>\$56,307.54</u>
Total Undue benefit	\$120,700.10

The detailed breakdown of the respective amounts can be found in Appendix A of our letter dated October 4, 2012.

A review of the few source documents made available and the general ledger revealed that amounts were paid to a line of credit purportedly not belonging to the Organization, flight tickets were purchased and funds were transferred outside of Canada. It does not appear these expenditures were approved by members of the board of directors. These items were discussed with the Organization during the meeting of May 16, 2012, and it did not appear that the current board of directors was aware of these expenditures.

As noted in the previous section, the Organization was unable to provide supporting documents for many of the expenditures reported during the audit period.

Representation:

The response stated that housing costs were provided to [REDACTED] as associate pastor in 2010 and 2009 and that a T4 was provided to her.

Conclusion:

The CRA does acknowledge that the Organization has prepared and issued T4 slips to [REDACTED] for 2009 and for Daniel Melendez in 2010 and that these amounts, according to the information on file, represent employment income each individual received during the period in question. However, documentation reviewed during the audit revealed that other benefits such as motor vehicle expenses, rent payments and weekly cash appropriations were not accounted for via T4 slips issued as is required by the Act.

The T4 slip for 2009 filed with CRA for [REDACTED] does not indicate the amount received was in respect of a clergy residence allowance nor does the amount reported on the T4 slip equal the amount of rent paid for the period on [REDACTED] behalf. As such, we are of the opinion that the amount reported represents employment income and a taxable benefit for the clergy allowance for accommodations remains unaccounted for as this amount was not included in either [REDACTED] or Mr. Melendez's income for 2009.

For 2010, a T4 slip for Daniel Melendez was filed with CRA reporting \$30,000 of employment income. We acknowledge that this could possibly represent an amount for the clergy allowance of rent payments made on Mr. Melendez's behalf as the Organization suggests. However, our letter indicated that this amount was accounted for in our original calculations. The appendix attached to our letter dated October 4, 2012, outlined in significant detail, all amounts paid to or on behalf of Mr. Melendez by the Organization. Further, it was noted that a monthly amount of \$2,032 was paid to him and it was understood that these amounts were included in the T4 slip mentioned above. As such, the representations do not address the undue benefit of \$120,700.10 (\$56,307.54 for 2009 and \$64,392.56 for 2010) received by Daniel Melendez.

Issue: Official Donation Receipts

The audit revealed the official donation receipts issued by the Organization did not comply with the requirements of Regulation 3501 of the Act and IT-110R3.

As previously stated, the Organization was unable to provide copies of the official donation receipts it had issued in the period under audit. Charities are expected to guard against the unauthorized use, loss or theft of official donation receipts. In the event of lost or stolen receipts, a charity should notify the Charities Directorate.

As duplicates of the official donation receipts issued in 2009 (\$125,403) and in 2010 (\$101,623) were not available for review, the remaining audit findings are based upon our review of samples of 2011 donation receipts. The Organization indicated the 2011 official donation receipts made available are a sample of what are currently used.

The audit found the official donation receipts did not meet the requirements of the Act or IT-110 as follows:

- (1) There appears to be a lack of control over the donation receipts. It was noted that the current official donation receipts are prepared on the Treasurer's personal computer at her home residence which is not password protected and not in a locked office. (Paragraph 18 of IT-110R3)
- (2) The address of the donor was not included on all official donation receipts. (Regulation 3501(1)(g))
- (3) The name and Web site of the Canada Revenue Agency was not on the official donation receipts. (Regulation 3501(1)(j))
- (4) The Organization's registration number as registered with the Canada Revenue Agency was incorrect. Currently, the receipt indicates the business number with a "RP" (this is the payroll account), the registration number should be indicated with an "RR".

Representation:

The response stated that the Organization now has a secure room and has taken other necessary steps to ensure the security of its donation receipts from unauthorized use, loss or theft. In addition, information on donation receipts will be updated to be compliant with the Act.

Conclusion:

The CRA acknowledges the Organization's proposed steps to improve its receipting practices and find that the proposed changes are adequate. However, no documentation was included in the representations in relation to the issuance of the donation receipts issued by the Organization during the period under audit.

Issue: Activities Outside of Canada

The Organization's books and records indicated that, occasionally, funds were transferred to Nicaragua. In addition, there are instances where flight tickets were paid by the Organization for trips to Nicaragua in 2009. Due to the inadequacy of the books and records, as noted earlier, it is difficult to determine how much, if any of the Organization's reported expenditures were related to programs purportedly carried on outside Canada.

In subsequent discussions with the Treasurer, the Organization indicated that it does not participate in any activities outside of Canada. The Organization stated the only instances where funds may have been transferred outside of Canada would have been through another organization, the Ministry to the Nations Foundation. The source documents relating to the funds being transferred to Nicaragua would only be included by error as one of the board of directors worked with the other organization that deals with sending funds outside of Canada.

Representation:

The response states that there is no activity outside of Canada.

Conclusion:

The audit revealed that money was transferred from the Organization's bank account to an individual outside Canada. Funds were traced from the TD Canada Trust account (#0546-5205999) via multiple Western Union transfers, to [REDACTED] in Nicaragua, a non-qualified donee. The transfer was facilitated by [REDACTED] who was noted as an administrator with the Organization.

The Organization was questioned regarding the nature of these transfers during the course of the audit; however, a satisfactory explanation was not received. The fact that the Organization appeared to have no knowledge as to the nature of these transfers and maintains in their representations that they do not support activities outside Canada is problematic. As such it is reasonable for CRA to conclude that the Organization does not maintain adequate control over its resources, whether in Canada or abroad.

Issue: Errors/Omissions on the Information Return

As noted above under **Failure to Maintain Adequate Books and Records**, there was very little documentation to support most of the expenditures claimed.

The audit revealed the following:

(1) Line 4800 to 4950 – Expenditures

The expenditures claimed could not be fully substantiated due to a significant lack of supporting documentation. In addition, based on the source documents

that were made available, it could not be determined what accounts indicated as expenditures may have been included on the T3010.

(2) Line 5000's – Breakdown of Expenditures

The Line 5000's on T3010A for 2010 and 2009 could not be reconciled. It appears that all expenses are included on Line 5000 – total Expenditures on Charitable Programs and the salaries and wages are included on Line 5010 – Total expenditures on management and administration. Based on discussions with the Organization, this was done incorrectly as the salaries and wages are related to the Pastor which should have been included on Line 5000 as a charitable program.

(3) Qualified Donees

As discussed during the meeting of September 14, 2012, amounts were gifted to other charitable organization, qualified donees. These amounts were not reported properly on the T3010A on Line 5050 – Total gifts to qualified donees excluding enduring property or under section C3 of the return.

(4) Liabilities

A reconciliation of the accounts payable was not provided. In 2009 the total liabilities is recorded as \$0, and in 2010 the total liabilities is \$173,891. Based on our review of the books and records, the source of the liability and reason for the large increase cannot be determined. A reconciliation was requested in our letter dated June 4, 2012, however, this has not been provided to date.

Representation:

The response states the breakdown of expenditures will be adjusted and that there are no qualified donees.

Conclusion:

It is noted that the representations included proposed amendments to the T3010 – Information Return filed for 2009 and 2010. However, the Organization failed to address the issue brought forth in our letter of October 4, 2012.

Our concerns lie with the unreliability of the figures on the returns as filed as a result of the poor books and records kept by the Organization for the period under audit. The submission failed to include any additional information or documentation to change our position in this matter. As a result, we believe the amounts reported on the T3010's filed and the proposed amendments remain unreliable.

During the audit, a request was made for a detailed breakdown of expenditures to support the amounts reported on lines 4800 to 4950. The Organization failed to satisfactorily address this issue. The representations did not include any such

breakdown or attempt to resolve our request. As such, we remain of the position that the amounts reported on the T3010's for charitable expenditures are unreliable.

We expressed concerns regarding the breakdown of charitable expenditures reported at line 5000 for 2009 and 2010. The proposed amendments to the T3010 Information Returns in this regard are still incorrect based on the audit findings. Expenses incurred by the Organization for salary and wages directly related to charitable programming should be included at line 5000, not line 5010 as proposed.

The Organization maintains it did not make gifts to qualified donees nor does it engage in activities outside of Canada. When queried during the audit about funds transferred to Nicaragua, the Organization responded the only way funds would have been transferred outside Canada is through another charity, in other words, a qualified donee.

As the Organization failed to satisfy our concerns with respect to funds transferred to Nicaragua in the representations, we are of the opinion the T3010 Information Return contains errors or omissions in the reporting of expenses on activities outside Canada or in the transfer of funds to non-qualified donees.

Lastly, the T3010 returns filed for 2009 and 2010 reported a large discrepancy in the total liabilities of the Organization. During the audit and in our letter dated June 4, 2012, the CRA requested an explanation of these amounts. A response was not received and the representations did not address the issue.

For the reasons outlined above, it remains CRA's position that the charitable registration of the Organization should be revoked.

Section 149.1 Qualified Donees

149.1(2) Revocation of registration of charitable organization

The Minister may, in the manner described in section 168, revoke the registration of a charitable organization for any reason described in subsection 168(1) or where the organization

- (a) carries on a business that is not a related business of that charity; or
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the organization's disbursement quota for that year.

149.1(3) Revocation of registration of public foundation

The Minister may, in the manner described in section 168, revoke the registration of a public foundation for any reason described in subsection 168(1) or where the foundation

- (a) carries on a business that is not a related business of that charity;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the foundation's disbursement quota for that year;
- (c) since June 1, 1950, acquired control of any corporation;
- (d) since June 1, 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities; or
- (e) at any time within the 24 month period preceding the day on which notice is given to the foundation by the minister pursuant to subsection 168(1) and at a time when the foundation was a private foundation, took any action or failed to expend amounts such that the Minister was entitled, pursuant to subsection (4), to revoke its registration as a private foundation.

149.1(4) Revocation of registration of private foundation

The Minister may, in the manner described in section 168, revoke the registration of a private foundation for any reason described in subsection 168(1) or where the foundation

- (a) carries on any business;
- (b) fails to expend in any taxation year, on charitable activities carried on by it and by way of gifts made by it to qualified donees, amounts the total of which is at least equal to the foundation's disbursement quota for that year;
- (c) has, in respect of a class of shares of the capital stock of a corporation, a divestment obligation percentage at the end of any taxation year;
- (d) since June 1, 1950, incurred debts, other than debts for current operating expenses, debts incurred in connection with the purchase and sale of investments and debts incurred in the course of administering charitable activities.

149.1(4.1) Revocation of registration of registered charity

The Minister may, in the manner described in section 168, revoke the registration

- (a) of a registered charity, if it has entered into a transaction (including a gift to another registered charity) and it may reasonably be considered that a purpose of the transaction was to avoid or unduly delay the expenditure of amounts on charitable activities;
- (b) of a registered charity, if it may reasonably be considered that a purpose of entering into a transaction (including the acceptance of a gift) with another registered charity to which paragraph (a) applies was to assist the other registered charity in avoiding or unduly delaying the expenditure of amounts on charitable activities;
- (c) of a registered charity, if a false statement, within the meaning assigned by subsection 163.2(1), was made in circumstances amounting to culpable conduct, within the meaning assigned by that subsection, in the furnishing of information for the purpose of obtaining registration of the charity;
- (d) of a registered charity, if it has in a taxation year received a gift of property (other than a designated gift) from another registered charity with which it does not deal at arm's length and it has expended, before the end of the next taxation year, in addition to its disbursement quota for each of those taxation years, an amount that is less than the fair market value of the property, on charitable activities carried on by it or by way of gifts made to qualified donees with which it deals at arm's length; and
- (e) of a registered charity, if an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever.

Section 168:**Revocation of Registration of Certain Organizations and Associations****168(1) Notice of intention to revoke registration**

Where a registered charity or a registered Canadian amateur athletic association

- (a) applies to the Minister in writing for revocation of its registration,
 - (b) ceases to comply with the requirements of this Act for its registration as such,
 - (c) fails to file an information return as and when required under this Act or a regulation,
 - (d) issues a receipt for a gift or donation otherwise than in accordance with this Act and the regulations or that contains false information,
 - (e) fails to comply with or contravenes any of sections 230 to 231.5, or
 - (f) in the case of a registered Canadian amateur athletic association, accepts a gift or donation the granting of which was expressly or impliedly conditional on the association making a gift or donation to another person, club, society or association,
- the Minister may, by registered mail, give notice to the registered charity or registered Canadian amateur athletic association that the Minister proposes to revoke its registration.

168(2) Revocation of Registration

Where the Minister gives notice under subsection (1) to a registered charity or to a registered Canadian amateur athletic association,

- (a) if the charity or association 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
- (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 of the charity or association is revoked.

168(4) Objection to proposal or designation

A person may, on or before the day that is 90 days after the day on which the notice was mailed, serve on the Minister a written notice of objection in the manner authorized by the Minister, setting out the reasons for the objection and all the relevant facts, and the provisions of subsections 165(1), (1.1) and (3) to (7) and sections 166, 166.1 and 166.2 apply, with any modifications that the circumstances require, as if the notice were a notice of assessment made under section 152, if

- (a) in the case of a person that is or was registered as a registered charity or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(2) to (4.1), (6.3), (22) and (23);
- (b) in the case of a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.2) and (22); or
- (c) in the case of a person described in any of subparagraphs (a)(i) to (v) 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).

172(3) Appeal from refusal to register, revocation of registration, etc.

Where the Minister

- (a) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.2) and (22) and 168(1) by the Minister, to a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for registration as a registered Canadian amateur athletic association, 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,
- (a.1) confirms a proposal, decision or designation in respect of which a notice was issued by the Minister to a person that is or was registered as a registered charity, or is an applicant for registration as a registered charity, under any of subsections 149.1(2) to (4.1), (6.3), (22) and (23) and 168(1), or does not confirm or vacate that

proposal, decision or designation within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal, decision or designation,

- (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) 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,
- (b) refuses to accept for registration for the purposes of this Act any retirement savings plan,
- (c) refuses to accept for registration for the purposes of this Act any profit sharing plan or revokes the registration of such a plan,
- (e) refuses to accept for registration for the purposes of this Act an education savings plan,
- (e.1) sends notice under subsection 146.1(12.1) to a promoter that the Minister proposes to revoke the registration of an education savings plan,
- (f) refuses to register for the purposes of this Act any pension plan or gives notice under subsection 147.1(11) to the administrator of a registered pension plan that the Minister proposes to revoke its registration,
- (f.1) refuses to accept an amendment to a registered pension plan, or
- (g) refuses to accept for registration for the purposes of this Act any retirement income fund,

the person in a case described in paragraph (a), (a.1) or (a.2), the applicant in a case described in paragraph (b), (e) or (g), a trustee under the plan or an employer of employees who are beneficiaries under the plan, in a case described in paragraph (c), the promoter in a case described in paragraph (e.1), or the administrator of the plan or an employer who participates in the plan, in a case described in paragraph (f) or (f.1), may appeal from the Minister's decision, or from the giving of the notice by the Minister, to the Federal Court of Appeal.

180(1) Appeals to Federal Court of Appeal

An appeal to the Federal Court of Appeal pursuant to subsection 172(3) may be instituted by filing a notice of appeal in the Court within 30 days from

- (a) the day on which the Minister notifies a person under subsection 165(3) of the Minister's action in respect of a notice of objection filed under subsection 168(4),
- (c) the mailing of notice to the administrator of the registered pension plan under subsection 147.1(11),
- (c.1) the sending of a notice to a promoter of a registered education savings plan under subsection 146.1(12.1), or
- (d) the time the decision of the Minister to refuse the application for acceptance of the amendment to the registered pension plan was mailed, or otherwise communicated in writing, by the Minister to any person,

as the case may be, or within such further time as the Court of Appeal or a judge thereof may, either before or after the expiration of those 30 days, fix or allow.

Section 188: Revocation tax

188(1) Deemed year-end on notice of revocation

If on a particular day the Minister issues a notice of intention to revoke the registration of a taxpayer as a registered charity under any of subsections 149.1(2) to (4.1) and 168(1) or it is determined, under subsection 7(1) of the Charities Registration (Security Information) Act, that a certificate served in respect of the charity under subsection 5(1) of that Act is reasonable on the basis of information and evidence available,

- (a) the taxation year of the charity that would otherwise have included that day is deemed to end at the end of that day;
- (b) a new taxation year of the charity is deemed to begin immediately after that day; and
- (c) for the purpose of determining the charity's fiscal period after that day, the charity is deemed not to have established a fiscal period before that day.

188(1.1) Revocation tax

A charity referred to in subsection (1) is liable to a tax, for its taxation year that is deemed to have ended, equal to the amount determined by the formula

$$A - B$$

where

A is the total of all amounts, each of which is

- (a) the fair market value of a property of the charity at the end of that taxation year,
- (b) the amount of an appropriation (within the meaning assigned by subsection (2) in respect of a property transferred to another person in the 120-day period that ended at the end of that taxation year, or
- (c) the income of the charity for its winding-up period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 as if that period were a taxation year; and

B is the total of all amounts (other than the amount of an expenditure in respect of which a deduction has been made in computing income for the winding-up period under paragraph (c) of the description of A, each of which is

- (a) a debt of the charity that is outstanding at the end of that taxation year,
- (b) an expenditure made by the charity during the winding-up period on charitable activities carried on by it, or
- (c) an amount in respect of a property transferred by the charity during the winding-up period and not later than the latter of one year from the end of the taxation year and the day, if any, referred to in paragraph (1.2)(c) to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

188(1.2) Winding-up period

In this Part, the winding-up period of a charity is the period, that begins immediately after the day on which the Minister issues a notice of intention to revoke the registration of a taxpayer as a registered charity under any of subsections 149.1(2) to (4.1) and 168(1) (or, if earlier, immediately after the day on which it is determined, under subsection 7(1) of the Charities Registration (Security Information) Act, that a certificate served in respect of the charity under subsection 5(1) of that Act is reasonable on the basis of information and evidence available), and that ends on the day that is the latest of

- (a) the day, if any, on which the charity files a return under subsection 189(6.1) for the taxation year deemed by subsection (1) to have ended, but not later than the day on which the charity is required to file that return,
- (b) the day on which the Minister last issues a notice of assessment of tax payable under subsection (1.1) for that taxation year by the charity, and
- (c) if the charity has filed a notice of objection or appeal in respect of that assessment, the day on which the Minister may take a collection action under section 225.1 in respect of that tax payable.

188(1.3) Eligible donee

In this Part, an eligible donee in respect of a particular charity is a registered charity

- (a) of which more than 50% of the members of the board of directors or trustees of the registered charity deal at arm's length with each member of the board of directors or trustees of the particular charity;
- (b) that is not the subject of a suspension under subsection 188.2(1);
- (c) that has no unpaid liabilities under this Act or under the Excise Tax Act;
- (d) that has filed all information returns required by subsection 149.1(14); and
- (e) that is not the subject of a certificate under subsection 5(1) of the Charities Registration (Security Information) Act or, if it is the subject of such a certificate, the certificate has been determined under subsection 7(1) of that Act not to be reasonable.

188(2) Shared liability — revocation tax

A person who, after the time that is 120 days before the end of the taxation year of a charity that is deemed by subsection (1) to have ended, receives property from the charity, is jointly and severally, or solidarily, liable with the charity for the tax payable under subsection (1.1) by the charity for that taxation year for an amount not exceeding the total of all appropriations, each of which is the amount by which the fair market value of such a property at the time it was so received by the person exceeds the consideration given by the person in respect of the property.

188(2.1) Non-application of revocation tax

Subsections (1) and (1.1) do not apply to a charity in respect of a notice of intention to revoke given under any of subsections 149.1(2) to (4.1) and 168(1) if the Minister abandons the intention and so notifies the charity or if

- (a) within the one-year period that begins immediately after the taxation year of the charity otherwise deemed by subsection (1) to have ended, the Minister has registered the charity as a charitable organization, private foundation or public foundation; and
- (b) the charity has, before the time that the Minister has so registered the charity,
 - (i) paid all amounts, each of which is an amount for which the charity is liable under this Act (other than subsection (1.1)) or the Excise Tax Act in respect of taxes, penalties and interest, and
 - (ii) filed all information returns required by or under this Act to be filed on or before that time.

188(3) Transfer of property tax

Where, as a result of a transaction or series of transactions, property owned by a registered charity that is a charitable foundation and having a net value greater than 50% of the net asset amount of the charitable foundation immediately before the transaction or series of transactions, as the case may be, is transferred before the end of a taxation year, directly or indirectly, to one or more charitable organizations and it may reasonably be considered that the main purpose of the transfer is to effect a reduction in the disbursement quota of the foundation, the foundation shall pay a tax under this Part for the year equal to the amount by which 25% of the net value of that property determined as of the day of its transfer exceeds the total of all amounts each of which is its tax payable under this subsection for a preceding taxation year in respect of the transaction or series of transactions.

188(3.1) Non-application of subsection (3)

Subsection (3) does not apply to a transfer that is a gift to which subsection 188.1(11) or (12) applies

188(4) Transfer of property tax

Where property has been transferred to a charitable organization in circumstances described in subsection (3) and it may reasonably be considered that the organization acted in concert with a charitable foundation for the purpose of reducing the disbursement quota of the foundation, the organization is jointly and severally liable with the foundation for the tax imposed on the foundation by that subsection in an amount not exceeding the net value of the property.

188(5) Definitions

In this section,

"net asset amount" of a charitable foundation at any time means the amount determined by the formula

$$A - B$$

where

A is the fair market value at that time of all the property owned by the foundation at that time, and

B is the total of all amounts each of which is the amount of a debt owing by or any other obligation of the foundation at that time;

"net value" of property owned by a charitable foundation, as of the day of its transfer, means the amount determined by the formula

$$A - B$$

Where

A is the fair market value of the property on that day, and

B is the amount of any consideration given to the foundation for the transfer.

189(6) Taxpayer to file return and pay tax

Every taxpayer who is liable to pay tax under this Part (except a charity that is liable to pay tax under section 188(1)) for a taxation year shall, on or before the day on or before which the taxpayer is, or would be if tax were payable by the taxpayer under Part I for the year, required to file a return of income or an information return under Part I for the year,

- (a) file with the Minister a return for the year in prescribed form and containing prescribed information, without notice or demand therefor;
- (b) estimate in the return the amount of tax payable by the taxpayer under this Part for the year; and
- (c) pay to the Receiver General the amount of tax payable by the taxpayer under this Part for the year.

189(6.1) Revoked charity to file returns

Every taxpayer who is liable to pay tax under subsection 188(1.1) for a taxation year shall, on or before the day that is one year from the end of the taxation year, and without notice or demand,

- (a) file with the Minister
 - (i) a return for the taxation year, in prescribed form and containing prescribed information, and
 - (ii) both an information return and a public information return for the taxation year, each in the form prescribed for the purpose of subsection 149.1(14); and
- (b) estimate in the return referred to in subparagraph (a)(i) the amount of tax payable by the taxpayer under subsection 188(1.1) for the taxation year; and
- (c) pay to the Receiver General the amount of tax payable by the taxpayer under subsection 188(1.1) for the taxation year.

189 (6.2) Reduction of revocation tax liability

If the Minister has, during the one-year period beginning immediately after the end of a taxation year of a person, assessed the person in respect of the person's liability for tax under subsection 188(1.1) for that taxation year, has not after that period reassessed the tax liability of the person, and that liability exceeds \$1,000, that liability is, at any particular time, reduced by the total of

- (a) the amount, if any, by which
 - (i) the total of all amounts, each of which is an expenditure made by the charity, on charitable activities carried on by it, before the particular time and during the period (referred to in this subsection as the "post-assessment period") that begins immediately after a notice of the latest such assessment was sent and ends at the end of the one-year period exceeds
 - (ii) the income of the charity for the post-assessment period, including gifts received by the charity in that period from any source and any income that would be computed under section 3 if that period were a taxation year, and
- (b) all amounts, each of which is an amount, in respect of a property transferred by the charity before the particular time and during the post-assessment period to a person that was at the time of the transfer an eligible donee in respect of the charity, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the consideration given by the person for the transfer.

189(6.3) Reduction of liability for penalties

If the Minister has assessed a particular person in respect of the particular person's liability for penalties under section 188.1 for a taxation year, and that liability exceeds \$1,000, that liability is, at any particular time, reduced by the total of all amounts, each of which is an amount, in respect of a property transferred by the particular person after the day on which the Minister first assessed that liability and before the particular time to another person that was at the time of the transfer an eligible donee in respect of the particular person, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the total of

- (a) the consideration given by the other person for the transfer, and
- (b) the part of the amount in respect of the transfer that has resulted in a reduction of an amount otherwise payable under subsection 188(1.1).

189 (7) Minister may assess

Without limiting the authority of the Minister to revoke the registration of a registered charity or registered Canadian amateur athletic association, the Minister may also at any time assess a taxpayer in respect of any amount that a taxpayer is liable to pay under this Part.