



Apr - 3 2007

REGISTERED MAIL

Global Institute  
1500 West Georgia St., Suite 1555 Box 62  
Vancouver, BC  
V6G 2Z6

Attention: Mr. Christopher Richardson      Charity Account No: 88913 3575 RR0001

**Subject:      Notice of Intent to Revoke**  
**Global Institute**

Dear Mr. Richardson:

I am writing further to our letter dated February 14, 2007 (copy enclosed), in which you were invited to submit representations to us as to why the Minister of National Revenue should not revoke the registration of Global Institute (the "Charity") in accordance with subsection 168(1) of the *Income Tax Act* (the "ITA").

In summary, you provided no evidence to refute the arguments of our Administrative Fairness Letter ("AFL") of February 14, 2007. You instead informed the CRA about the change in Directors and that the mandate of the new directors was to attempt to seek repayment of the debenture that was deemed by the previous directors to be uncollectible (as can be demonstrated from their write down of approximately \$4,000,000 to \$0). You had requested a postponement from us in the revocation of the Charity to better enable the directors to obtain this repayment.

In consideration of this request, on March 16, 2007 David Dougherty, Audit Advisor, sent a letter asking some questions to clarify the details of your proposal. You responded in a letter dated April 2, 2007.

Your proposal does not attempt to make amends or remedy the past actions of the Charity. In fact, you have specifically disavowed knowledge of past actions and do not seek to obtain further information in regards to these actions. Further, you have decided not to take any action against the past directors.

The proposal has not alleviated any of the concerns outlined in our AFL. We have therefore decided that even though the plan of action would appear to be well

intentioned, due to the serious nature of the non-compliance of the Charity as outlined in our AFL, we have decided to issue the Notice of Intention to Revoke.

In consideration of the good intentions of your proposal, we agree to delay the publication of the Notice in the Gazette until the earlier of July 31, 2008 and such a date as the Charity is able to recover on the debenture. The Minister reserves the right to publish the Notice at an earlier/later date should the Minister deem it appropriate to do so.

Consequently, for each of the reasons mentioned in our letter dated February 14, 2007, I wish to advise you that, pursuant to the authority granted to the Minister in subsection 149.1(2) of the ITA, and delegated to me, I propose to revoke the registration of the Charity. By virtue of subsection 168(2) of the ITA, the revocation will be effective on the date of publication in the Canada Gazette of the following notice:

*Notice is hereby given, pursuant to paragraphs 168(1)(b), and 168(1)(d) of the Income Tax Act, that I propose to revoke the registration of the organization listed below under subsection 149.1(2) of the Income Tax Act and that the revocation of registration is effective on the date of publication of this notice.*

<b>Charity Account Number</b>	<b>Name</b>
88913 3575 RR0001	Global Institute Kelowna, BC

Should you wish to appeal this notice of intention to revoke the Charity's registration in accordance with subsection 168(4) of the ITA, you are advised to file a Notice of Objection within 90 days from the mailing of this letter. This notice is a written statement that sets out the reasons for the objection and all the relevant facts. The Notice of Objection should be sent to:

Tax and Charities Appeals Directorate  
Appeals Branch  
Canada Revenue Agency  
25 Nicholas Street  
Ottawa, ON K1A 0L5

**Consequences of a Revocation:**

As of the date of revocation of the registration of the Charity, which is the date upon which the above-noted notice is published in the Canada Gazette, the Charity will no longer be exempt from Part I Tax as a registered charity and will no longer be permitted to issue official donation receipts.

Additionally, by virtue of section 188 of the ITA, the Charity, will be required to pay a tax within one year from the date of the Notice of Intention to Revoke the Charity's registration. This revocation tax is calculated on prescribed form T-2046 "Tax Return Where Registration of a Charity is Revoked". The return must be filed and the tax must be paid on or before the day that is one year from the date of the Notice of Intention to Revoke a Charity's Registration. For your reference, I have attached a copy of the relevant provisions of the ITA in Appendix "A" concerning revocation of registration and the tax applicable to revoked charities as well as appeals against revocation. Form T-2046, along with the related Guide RC-4424, "Completing the Tax Return Where Registration of a Charity is Revoked", are also attached for your information.

Also, the Charity will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (the "ETA"), effective the date of revocation. As a result it 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 1-800-959-8287.

Furthermore, I wish to advise you that pursuant to subsection 150(1) of the ITA, a return of income for each taxation year in the case of a corporation (other than a corporation that was a registered charity throughout the year) shall without notice or demand therefore, be filed with the Minister in prescribed form containing prescribed information.

Yours sincerely,



Terry de March  
A/Director General  
Charities Directorate

Attachments:

- Our letter dated February 14, 2007
- Appendix "A", Relevant provisions of the *Income Tax Act*
- Form T2046 – Tax Return Where Registration of a Charity is Revoked
- Guide RC4424E Completing the Tax Return Where Registration of a Charity is Revoked



CANADA REVENUE AGENCY AGENCIE DU REVENU DU CANADA

**REGISTERED MAIL**

**1 FEB 14 2007**

**Global Institute**

Attention: Mr. Christopher Richardson  
1500 West Georgia St, Suite 1555 Box 62  
Vancouver, BC  
V6G 2Z6

BN: 88913 3575 RR0001  
File #: 0836601

**Subject: The Audit of Global Institute**

Dear Mr. Richardson:

This letter is further to the audit of the books and records of the Global Institute (hereinafter the "Charity") by the Canada Revenue Agency (hereinafter the "CRA"). The audit related to the operations of the registered charity for the period of January 1, 2000 to December 31, 2002.

The results of this audit indicates that the Charity appears to be in contravention of certain provisions of the *Income Tax Act* (hereinafter the "ITA") and/or its Regulations. In order for a registered charity to retain its registration, it is required to comply with the provisions of the *ITA* applicable to registered charities. If these provisions are not complied with, the Minister may revoke the Charity's registration in the manner described in section 168 of the *ITA*.

### **1. BACKGROUND**

#### **Description of the arrangement**

The audit of the Charity was performed by G. McLean, a CRA auditor. The auditor came across an arrangement promoted by, or in connection with, (hereinafter ' ) and / or groups affiliated with (

The nature of the Charity / arrangement is as follows:

1. The Charity created an endowment fund and invested all amounts donated and designated to that fund in certificates of deposit (hereinafter "CDs") in the (hereinafter the "Bank" – which is part of the );
2. paid a rate of interest to the Charity that was significantly less than the rate it generally offered on its CDs to the general public but also allocated additional interest into separate accounts held for the benefit of the donors (hereinafter referred to as the participants).
3. For each purchase of a CD, the Charity provided ( with information that identified the participants and amounts contributed that made up the source of funds for that purchase. This allowed Omnicorp to set up separate participant accounts, which could be used to return interest to the participants.
4. The participants were offered a number of different options as to where their share of the interest could be placed (i.e. what type of investment would be made on their behalf) but the general plan was that within four to five years the total amount of their donations would be available in an offshore investment.
5. The arrangement was promoted as a win-win situation. The Charity would benefit as the donation principal and a reasonable rate of interest would remain the property of the Charity while the participant would benefit from a donation tax-credit and a portion of the interest made on the CD; the additional interest earned on the Charity's deposit would, within five years, grow to exceed the original donation amount.
6. The arrangement was predicated on the fact that Omnicorp purported to be able to provide super returns on funds invested in its investment products. This enabled them to provide a superior rate of return to what is normally available to the Charity while setting aside an additional superior rate of return to the participants' benefit.

#### Indications of the Charity's participation in the Tax-Planning Arrangement

##### **Educational events**

Starting in the fall of 2000 and continuing through to the fall of 2002, the Charity presented its projects and programs at a number of Omnicorp educational events. The Charity used and / or shared Omnicorp's time slots at conferences organized by the Global Prosperity Group.

Mr. Goheen attended the 2001 Cancun Conference. He represented at their booth at the conference and promoted

investments in the and five-year term deposits. Mr. Goheen has been the sole director of the Charity since its inception until the directors changed in the December 31, 2003 fiscal period.

The organizers of the would appear to deal with offshore tax-planning arrangements. The US Department of Justice in its release dated June 3, 2003 titled "Jury convicts ~~Institute of Global Prosperity~~ Participant of conspiracy to Structure Currency Transactions", stated that the , also known as , "was an organization that hosted offshore seminars for promoters of abusive trusts and anti-tax schemes". It appears that since the Charity shared time slots at these seminars, represented them at their booth, and promoted the investments in the , an ordinary person would conclude that the Charity, would also be involved in these "anti-tax schemes".

Mr. Goheen, who appears to represent both the Charity and at a variety of events, wrote the book "Financial Planning For Canadians". In this book, in the section entitled: "Planned Charitable Giving, Other tax-advantaged vehicles" on page 60 he states:

- "Through effective tax planning it is possible to give charitable gifts in such a way that the major cost is borne by the government: gifts that are made up of tax-saved dollars that would have otherwise been sent to federal coffers. Taking advantage of the available deduction for charitable gifts makes good sense for the donor and the charity...(emphasis added)

#### Promotional brochures

and the Charity handed out promotional brochures entitled "Welcome to the Next Generation in Personal Financial Planning & Money Management (including RRSP's /RA's etc.)". This brochure indicates the type of tax-planning arrangements described earlier being run jointly by and the Charity.

Relevant extracts from this brochure are as follows:

*The government of Canada and the USA give individuals and corporations two options re: pre tax income. Pay income tax – or – make charitable donations...*

*When taxes are paid to Ottawa, the money services the debt, supports a huge bureaucracy, and any leftover money is spent on services and those in need. Not even a thank you letter is sent to the taxpayer. There is one alternative. Make charitable donations which go directly to NGO's for the welfare and well being of the community being served AND receive tax*

*credits from Revenue Canada to offset taxes on pre tax income AND receive a very generous profit sharing benefit from a company committed to individual freedom and support for and encouragement of the values of sharing caring and charitable giving."*

In the same brochure on the subject of what to do with a \$100,000 RRSP the option recommended is as follows:

*"... Collapse the plan — donate the money — get an official charitable gift receipt to shelter the income for tax purposes — AND — graciously receive a very generous profit share benefit which grows to over \$400,000 after five years (assuming 40% reinvestment rate).*

The brochure discusses tax planning as well. Commenting on the withholding tax on the RRSP when the plan is collapsed the brochure states:

*"Remember — the withholding tax is returned when the charitable tax credits are used to offset the tax. If a short term loan is used to make a donation equal to the full amount of the RRSP withdrawals — the only loser is Revenue Canada — as they will return all of the tax withheld (assuming that the full amount of charitable tax credits can be used in the year of the donation)."*

#### **Amounts Tax Received**

The dollar value of donation receipts issued had increased dramatically over the period of participation in the seminars when compared to the amounts for the preceding years. A total of \$6,620 of donation receipts were issued for the years 1996, 1997, 1998 & 1999 and increased to the following:

- \$993,835 for 2000
- \$3,228,272 for 2001
- \$608,775 for 2002
- Total donations invested in Omnicorp = \$4,770,107 (\$4,828,882 less \$58,775 (\$48,775 + \$10,000) which appears to have been invested directly in once became insolvent)

These amounts have increased significantly and appear to be mostly due to the Charity's involvement in the offshore tax-planning arrangements. The Charity invested 99% (\$4,770,107/\$4,828,882) of these donations with in the offshore tax-planning arrangement.

### **Use of the Charity's resources**

The following section describes how the tax planning arrangement worked. Since being involved in this arrangement would take up a considerable amount of time and the Charity appears to have ceased performing Pranic Healing in 1997, it would appear that the Charity spent most of its time during those years promoting this tax-planning arrangement and not on charitable activities and as noted above, 99% of the donations went towards this tax-planning arrangement. The Charity's assets were being invested at a rate lower than what was advertising so that the difference in the interest rate would return to the donors. The Charity therefore was not devoting its resources on charitable activities.

In 2001, the auditor did however note that the Charity expended \$40,587 of total expenditures of \$114,395 and in 2002, \$42,091 of total expenditures of \$102,672 on gifts to qualified donees, which are deemed to be expenses devoted towards a charitable purpose.

Therefore the Charity devoted a small amount of its resources to charitable activities, but the Charity is required to devote all its resources to charitable activities, which it does not appear to have done. The other expenditures would not fall under the exception that is made under subsection 149.1(6.2) of the Act, which deals with situations where resources are devoted to political activities.

### **Operation of the tax-planning arrangement**

In short, the tax-planning arrangement worked as follows:

1. The Charity advertised at the seminars. Once a participant was found, the participant would donate money to the Charity and elect that the charity hold the gift for 10 years, they would then sign a contract with the Charity.
2. The Charity then (with the exception of two donations) sent the money via 33 separate wire-transfers to an account at the C, Kingston, St. Vincent and the Grenadines. Each wire transfer was allocated to each participant and the amount they donated.
3. provided to the Charity a confirmation of the amount and date of funds received in the wire, and a notation stating: "*Funds will be allocated as per the terms and conditions outlined in the completed agreements.*"
4. A Certificate of Deposit for each wire transfer was subsequently provided to C with a separate certificate number for each wire transfer. The certificates required that interest be paid monthly, which in

fact it was until September 9, 2002. The total interest received by the Charity was \$137,630 in 2001 and \$271,207 in 2002 (\$335,217 - \$2,387 - \$61,623)<sup>1</sup>. After September 9, 2002, no further interest was paid by because the certificates of deposit were exchanged for shares.

## 2. NON-COMPLIANCE WITH THE *ITA*

The balance of this letter describes how the Charity seems to have contravened the *ITA*.

### 2.1 ISSUANCE OF DONATION RECEIPTS WHERE NO GIFT WAS MADE

Paragraph 168(1)(d) of the *ITA* states: "where a registered charity (...) issues a receipt for a gift or donation otherwise than in accordance with this Act and the regulations or that contains false information, (...) the Minister may, (...) give notice to the registered charity (...) that the Minister proposes to revoke its registration."

The common law definition of a gift is outlined in IT-110R3 and has the three following conditions:

1. that some property is transferred by a donor to a registered charity,
2. the transfer is voluntary, and
3. the transfer is made without expectation of return.

The traditional definition of a gift, at law, disqualifies as a gift a transfer of property for partial consideration, notwithstanding that there is a clear gift element and donative intent, a result with which the government and, apparently, the courts were not comfortable.

We would note that, although on December 20, 2002, the Department of Finance released proposed amendments to the *ITA* to facilitate transactions involving partial consideration, these are not very relevant, given the timing of these amendments which come into effect December 20, 2002 onwards.

<sup>1</sup> → from the 2002-T3010 =  
\$335,217 (line 114 Interest & Dividends)  
less \$ 2,387 . . . . . p. accrued interest  
less \$ 61,623 Accrued interest converted to ..  
\$271,207

### Findings

The step-by-step treatment of participants' donations demonstrating how the donation would eventually be made available to them is as follows:

1. The initial donation was made to the Charity.
2. The Charity transferred the funds by wire to an \_\_\_\_\_ account at the \_\_\_\_\_, Kingston, St. Vincent and the Grenadines in for placement in a transitional account or an investment fund, which would in turn produce additional interest of 25% and more annually during a period of five years.
3. After an initial five years the investment would revert to the Charity.
4. The additional interest generated for the five-year period would be deposited annually in the participant's account with \_\_\_\_\_.
5. During the initial five year period, the participant could not access invested funds given that the initial contribution did not belong to the participant.
6. After the five-year term, the participants would have access to the interest via a debit or credit card furnished by \_\_\_\_\_.

Steps 4 and 6 above indicate an expectation of return by the participants on the "donations" made to the Charity, which were subsequently invested in the name of the Charity. As such it is our position that these transactions were not gifts within the meaning of s. 118.1 of the Act. Additionally, were this a true gift to the charity the interest generated through these investments ought to have been returned to the charity and not to the "donors".

promotional material indicates that from 2000 to 2003, \_\_\_\_\_ was offering Certificates of Deposit to people who attended their conferences with a five-year or greater term bearing interest rates between 40%-50% per annum in 2000 and 30%-35% in 2003. The rates of return on the Certificates of Deposit held in the transitory account, which would revert to \_\_\_\_\_ after five years, ranged from 8-12%. Since \_\_\_\_\_ was advertising, in its pamphlets and its conferences, rates that were much higher (30-50%), this indicates that there is a significant difference in the interest that the Charity is receiving and that which is advertised by \_\_\_\_\_. This would appear to support the view that the money was supposed to be accumulating elsewhere, such as in an account for the benefit of the participant.

The "donations" made by the participants were significantly higher than any donation the participants had made before. The participants were not too familiar with the activities of the Charity, as is indicated in the excerpt below in a letter from Mr. Goheen.

Mr. Goheen sent out letters to the participants that state:

*'I have had a number of calls recently from donors who have been asked how they first heard of Global Institute'*

The letter then suggests a number of ways by which the participant may have heard about the Charity and provides background information concerning Mr. and Mrs. Goheen.

It gives the impression that the participants had another reason for donating. It is not reasonable to conclude that the participants who had never donated anything close to the amounts that they donated, all really believe in this cause and all decided to donate material amounts in the same year. This would be especially hard to believe considering the fact that they did not appear to be sure what activities the Charity was engaged in.

After considering all these factors, it appears that there was no donative intent on the part of the participants, since it looks as though the original donation was made with the intention of receiving money back that would grow to exceed the original donation as described earlier in the "Background" section. The Charity helped facilitate this tax planning arrangement. The agreement was signed with the participants. This agreement indicated how the funds were to be used (investing the funds in (                  ), the funds were held in an investment fund or transitional account under the Charity's name. Interest would be accumulated in a separate account for the participants' own personal use. The Charity received 33 certificates of deposit (five year term) for the full amount of the donations – one certificate after each wire transfer.

The auditor concluded that the amounts purportedly donated to the Global Institute for the years 2000-2002 inclusively, did not appear to be charitable gifts for income tax purposes, as the transfers of funds were made with an expectation of return or benefit.

More specifically, it is the CRA's position that the donations do not appear to be bona fide gifts but were part of an arrangement promoted by, or in connection with, and/or groups affiliated with, as a means to obtain a tax refund and make funds available, for the use, benefit, or direction of the purported participants. The Charity did, however, issue donation receipts for these donations. With respect to these donations it appears that the participants expected to receive something in return for their donations (other than a donation receipt).

According to the common law there must be clear donative intent to enrich the donee. The fact that the participants invested because they were expecting to get their original investment back in an offshore account and that they would also receive a donation receipt, would lead an ordinary person to think that there is a reason other than genuine donative intent for the donation. The donations would therefore not appear to be bonafide gifts according to the new proposed definition either.

The Charity therefore would appear to have issued donation receipts where there was no gift.

Mr. Goheen, the founder of the organization, would appear to have a good understanding of the tax system since he wrote a book entitled, "*Financial Planning For Canadians*". In this book, he included a section entitled: "*Planned Charitable Giving, Other tax-advantaged vehicles*".

In summary, the donations do not meet the definition of a gift. Under subsection 149.1(2) of the *ITA*, the Minister may revoke the registration of a Charity because contrary to paragraph 168(1)(d) of the *ITA* the registered charity issued a receipt for a gift otherwise than in accordance with this *Act* and the regulations.

## **2.2 DEVOTION OF RESOURCES**

Paragraph 168(1)(b) of the *ITA* states: "*where a registered charity... ceases to comply with the requirements of this Act for its registration as such, ... the Minister may, ... give notice to the registered charity... that the Minister proposes to revoke its registration.*"

Under subsection 149.1(1) of the *ITA*, a "charitable organization" is defined as "*an organization... all the resources of which are devoted to charitable activities carried on by the organization itself, no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settler thereof...*"

### **a. Objects & Activities**

The *ITA* deems a registered charity to be working towards charitable purposes or carrying on its own charitable activities by means of two ways. First, it can fund other organizations that are qualified donees as defined in the *ITA* and second, it can carry on its own charitable activities.

In the Supreme Court decision of *Vancouver Society of Immigrant and Visible*

*Minority Women v. M.N.R. [1999] 1 S.C.R. 10*, Iacobucci J. speaking for the majority, summarized the requirements for charitable registration at paragraph 159, as follows:

*In conclusion, on the basis of the Canadian jurisprudence, the requirements for registration under s. 248(1) (relates to a "registered charity") come down to two:*

- (1) *the purposes of the organization must be charitable, and must define the scope of the activities engaged in by the organization; and*
- (2) *all of the organization's resources must be devoted to these activities unless the organization falls within the specific exemptions of s. 149.1(6.1) or (6.2).*

### **Global Institute's Objects & Activities**

#### **Objects:**

The Charity was registered as a charitable organization, as of November 3, 1988, with the following objects:

- (a) *to facilitate, fund and carry on its own development projects itself or through its agents for the relief of poverty through housing maintenance and construction programs, the construction of water wells, spring caps and water distribution systems, agricultural and aqua-cultural projects, and food production and processing programs, land, forestry and water management and improvement programs; for the advancement of education through the construction and operation of schools and support of public education and leadership development programs, including basic literacy, vocational and skill training, to advance studies and research in third world development issues and development education; for the improvement of health through public health education, the construction and support of medical clinics – both stationary and mobile, and other programs which directly improve human health and well being through preventative or remedial programs; and*
- (b) *to advance studies, information and education about the root causes of and appropriate responses to poverty and environment degradation; for training and educating persons to make effective responses to the challenge of poverty alleviation or sustainable development; and for training and educating persons to make appropriate adaptive responses to their changing environment; and*

- (c) *the Society shall have the power to receive, invest and administer bequests, endowments, trusts and other financial programs and investments the purposes of which are to fund charitable activities of the Institute; and*
- (d) *to receive bequests, trusts, funds and property, and to hold, invest, administer and distribute funds and property for the purposes of the Society as presently set out and for such other organizations as are "qualified donees" under the provisions of the Income Tax Act and for such other purposes and activities which are authorized for registered charities under the provisions of the Income Tax Act. The directors in their sole and absolute discretion may refuse to accept any bequests, trusts, funds or property, and*
- (e) *to do all such other things as are incidental, ancillary and conducive to the attainment of the purposes and the exercise of the powers of the Society.*

#### Activities

Their statement of activities as of November 3, 1988 stated:

*The Global Institute will be engaged in Agro-Forestry Projects in the Philippines, and other less developed countries. Teaching farmers the basics of contour farming, soil conservation, selecting and planting appropriate crops, and the establishment of tree nurseries, are primary activities of our program.*

*Education and information programs will be conducted in the project areas and elsewhere, to illustrate the ways in which resource depletion and environmental degradation – i.e., soil erosion, deforestation, desertification, etc. – contribute to poverty. Successful projects which have reversed this phenomenon and brought about substantial benefits for the poor, will be used as case studies in the education program. In addition to the above (as funds are available) the Institute will undertake specific projects as described in the amended objects, 2.(a) and 2.(b), of the Constitution (see enclosed proposed amendments to the Constitution). The Provinces of Negros Oriental, Negros Occidental and Cebu, in The Philippines, will be the first areas in which these programs shall be implemented.*

### T3010 Information Returns

In the T3010 returns, the programs the Charity reported that it was carrying on in each of the respective years were as follows:

- 1997-1999 – “Community Support Programs in BC”
- 2000-2002 – “Community Support Programs in BC” and “Fund raising and assessment of projects in Canada and Third World countries for future programs”
- 2003 – “Monitored ongoing programs and Managed Investments”

In the 1995 to 2000 T3010 returns, the Global Institute indicated that there were no programs carried on outside Canada. In its 2002 year, the Charity indicated that it had programs operating directly or indirectly outside of Canada.

From a review of the financial statements, we can see that in the 1997 fiscal period, the Charity disposed of the majority of its assets (all computers and most of the other equipment). The Charity did not appear to be doing what it claimed to be doing. It appears unlikely that the Charity is performing any charitable activities of its own, but it did gift to qualified donees.

### Online Interview

In an online interview with Mr. Goheen, the founder of Global Institute, Mr. Goheen stated that, “*Pranic Healing and Sound treatment programs were the primary work of Global Institute through the 1990’s*”.

### The Link Between Global Institute and

In the fall of 2000 and continuing through to the fall of 2002, Global Institute presented its projects and programs at a number of C “ ” educational events. Global Institute used and / or shared C “ ” time slots at conferences organized by the C “ ”.

During the 2000 through 2002 fiscal periods, Global Institute “invested” a total of \$4,750,242, (94% of its assets or 99% of its donations) in

There seemed to be a close relationship between C “ ” and Global Institute.

### The Objects and Activities of

The objectives of C “ ” are described in their website as:

- “*Recover capital from the oppressive jaws of taxation by developing and implementing a wide array of tax-back strategies.*

- Remove capital by providing a legal means of liberating the flow of capital and the control over their own funds so that the freedom of choice is theirs and theirs alone, not dictated by the system.
- To provide the knowledge and mechanism necessary to deploy liberated capital in jurisdictions that has no tax consequences.
- To multiply capital by acting as an interface between the individual and secure high yield business opportunities."

Information on the website indicates that "..... has created a comprehensive suite of highly effective strategies that can assist any individual to ... facilitate freedom" and then lists a number of products and services:

On or before June 27, 2002, the ..... website indicated that the organization had grown to be a 'One-stop International Offshore Service Provider'. The website indicates that the Group is 'dedicated to helping you attain and maintain Personal Freedom through financial independence'. The website and its links make reference to the following:

- Credit and debit cards that provide access to offshore funds anywhere in the world
- The ownership of the corporation through an offshore trust with discretionary beneficiaries (indicating that the taxpayer would not legally own the trust or assets at present... thereby eliminating the offshore reporting requirement and saving you tax).
- Creation of IBC to invest offshore tax free

In a brochure promoting ..... in a section entitled '..... Canadian Tax Strategists' it states:

'..... s objective is to create tax solutions that address the burden of excessive taxation experienced by many Canadians. Our goal is to eliminate or reduce to a minimum the amount of tax payable, either personally or corporately, utilizing strategies that follow current Revenue Canada rules and regulations."

Programs available as advertised in the ..... promotional material under the heading "..... Canadian Tax Strategists" included the following programs:

- Reduction of current year income tax to zero and recovery of all or most of taxes paid over the previous three years
- RRSP "deregistration" strategies
- Active Business Income/losses that can be applied to one's personal (T4), or corporate income for the current year, and the next seven (7) and/or the past three (3) years.

- Custom designed solutions for property transfers, capital movement and "complex situations"

Another brochure with similar wording stated:

*"All of the above strategies are available only to clients who will respect the confidentiality and privacy required in conducting their business affairs. We all must protect the integrity of these valuable programs. Remember, the enemy is not your partners, neighbour, or competitor, it is an unfair punitive tax system".*

### **Findings**

#### Operating Ultra Vires

Registered Charities, under the *Income Tax Act*, are required to apply their resources to exclusively charitable purposes and activities. In addition, the law requires charities to only use their resources to pursue those objects and activities for which they were established. As noted above, the Charity is established for an extremely broadly worded purpose, but one which seems to contemplate the organization undertaking development projects designed to relieve poverty.

However, as described in this section, it appears that the charity's actual application of its funds, at least those amounts seemingly devoted to actual programs were for "Pranic Healing". It does not appear that the Charity either informed the CRA of its intended change in charitable purpose, nor are we aware of any formal change to the governing documents. As such, we are concerned that the organization is applying its resources to activities which are ultra vires the purposes for which it was registered. Even more troubling is the fact that, it is unlikely the practice of Pranic Healing would be considered charitable. As such, we are concerned that the charity may be misapplying funds donated for charitable purposes by directing them to non-charitable purposes outside of the scope of the Charity's mandate.

#### Substantially Operating for a Non-Charitable Purpose

It is our view, based on our review of the file, is that the Charity does not operate for charitable purposes. In fact, the evidence on the file, as outlined below, demonstrates that the preponderance of the effort and resources of the Charity are devoted to participating in a tax-planning scheme while an incidental and comparatively insignificant amount of effort and resources are devoted to any attempt at charitable programming. Operating for the purpose of promoting a tax planning scheme is not a charitable purpose at law.

For the period 1996 to 2000, the Charity did not appear to have made any direct disbursements for charitable activities. In the 1997 fiscal period, the Charity disposed of the majority of its assets (all computers and most of the other equipment), indicating that the Charity's work on Pranic Healing stopped at this point.

A reasonable person might find surprising the significant increase in donations during the 2000 fiscal period, considering the participants do not appear to know what activities the Charity was involved in. Mr. Goheen needed to write a letter to the participants to "remind" them what activities the Charity was involved in. A reasonable person would be unlikely to donate so much money to a Charity that they knew little about. It is plausible that an individual would donate large amounts of money because they believe in a cause; but since these participants did not know what the Charity was involved in, it would seem that they might have donated for some other reason. The reason would appear to be for the tax-planning arrangement. Global Institute appears to be an active participant in this arrangement. See section on "Indications of the Charity's participation in the Tax-Planning Arrangement". This arrangement is not considered a charitable activity.

The endowments donated to the Charity were invested in a single source, located in a tax haven jurisdiction, which was uninsured, and not originally secured.

With the exception of 2 donations that were sent to \_\_\_\_\_, all of the donations for 2000 - totalling \$993,835, for 2001 - totalling \$3,228,272, and for 2002 - totalling \$606,775 were sent to an \_\_\_\_\_ account at the \_\_\_\_\_ Kingston, St. Vincent and the Grenadines. The 2 donations received that were sent to \_\_\_\_\_ totalled \$58,775. The CIA World Factbook 2002 & 2003 contained the following description of St. Vincent: "St. Vincent is home to a small offshore banking sector with restrictive secrecy laws that are under international review. As of June 2001 it remained on the Financial Action Task Force's list of non-cooperative jurisdictions."

The amounts sent to \_\_\_\_\_ amount to approximately 94% of the total assets of the Charity (\$4,7510,242 / \$5,073,410) at the end of 2002.

There were concerns by the Offshore Financial Authority regarding the solvency of the bank. Due to these concerns, there were agreements to exchange the certificates of deposit for \_\_\_\_\_ shares. The shares were held in trust for Global Institute; the shares remained in the name of \_\_\_\_\_

The ..... shares were issued at a deemed value of \$19.50 USD per share, I valued the assets received at \$8,654,356.25 CDN, which would put a value of \$3.43 CDN per share (\$8,654,356.25/2,523,077) for the 2,523,077 preferred shares issued to ..... Global's 159,218 shares would consequently have had an estimated value of \$546,117. This amount is far lower than the \$4,750,242 initially invested in ..... This would indicate a decrease in value of \$4,220,125 (\$4,750,242-546,117) or 89%.

At the end of the December 31, 2004 fiscal year, the Charity reported \$4,768,587 of assets, which included \$3,851,822 of Marketable securities, \$4,176,691 in 2003 and \$901,904 in Accrued interest receivable) and a total of \$1,378 in Liabilities. During the following fiscal period, the Charity wrote down the value of its investments. Some of the expenses it included in the 2005 fiscal period are as follows:

> Loss on Investments	\$3,824,099.95
> Loss on Interest Receivable	\$ 901,903.85

After this write-down, the value of the assets they reported at the end of the 2005 fiscal was \$10,399.56. Therefore almost the full value of these investments, if not the full value of the investments was written off.

It is our opinion that Global Institute's acceptance of the risks involved with choosing a single source of investment, located in a tax haven jurisdiction, uninsured, and not originally secured cannot reasonably be explained solely by Mr. Goheen's representation, *"that the choice was made because the bank offered a better rate of return than was available domestically."* The choice of ..... as the single source of investment of the donations is however consistent with tax back arrangements where funds are placed in a jurisdiction where it is very difficult to obtain information that would allow for the tracing of funds.

The Charity appears to have been focusing on the tax-planning arrangement as opposed to the objects and activities for which it was registered. The auditor was unable to locate/review any documentation to indicate that the Charity worked on Pranic Healing over the 2000-2002 fiscal periods. Some funds were gifted to qualified donees, but the documentation obtained showed that during the 2000 - 2002 fiscal periods, the Charity was also attending seminars that promote ..... representing ..... at some of these seminars and also investing the funds of the donations received through the ..... tax-planning arrangement. The relationship with ..... appeared to have become the main focus of the Charity.

It appears as though, through this tax-planning arrangement, the Charity has become a medium to support this arrangement, which is benefiting non-qualified

donees (and the participants)<sup>2</sup>. This would not be considered a charitable activity.

The auditor concluded that the amounts donated to the Global Institute for the years 2000-2002 inclusively, were not charitable gifts for income tax purposes, as the transfers of funds were made with an expectation of return or benefit. More specifically, it is the CRA's position that the 'donations' were not bona fide gifts but were part of an arrangement promoted by, or in connection with, and/or groups affiliated with as a means to obtain a tax refund and make funds available for the use, benefit, or direction of the purported participants.

In conclusion, this tax-planning arrangement seemed to be the main activity of the Charity and also benefited the participants, promoters and the Director's brother. It would appear that the interest from the money that was donated to the Charity was supposed to have been siphoned off to the participants, which includes the director's brother, as opposed to being used for charitable purposes. The Charity does not appear to be devoting its resources to charitable activities as required under subsection 149.1(1). Therefore, under subsection 149.1(2) of the *ITA*, the Minister may revoke the registration of the Charity because it has failed as described at paragraph 168(1)(b) of the *ITA* to comply with the requirements of the *Act* for its registration as such.

#### Other Concerns

As above, it is our view that the Charity has been operated not with a view to achieving its charitable purposes, but instead to enrich private parties promoting this scheme and the "donors" in this arrangement. However, we are greatly troubled that money, purportedly devoted to and for charitable purposes is not finding its way to charitable programs.

Our analysis of the arrangement notes that despite over \$4 million in donations to the organization, comparatively small amounts are actually being devoted to programming. It does not appear as though the Charity will be able to actually recover its investments since it wrote them down to \$0 or close to \$0 during the 2005 fiscal period. Rather than investing its resources and realizing the best rate of return for the Charity, as is required at law, the Charity is instead acting as an investment vehicle for donors at the expense of its charitable purposes.

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<sup>2</sup> We note additionally that the director's brother was also a participant involved in this tax planning arrangement.

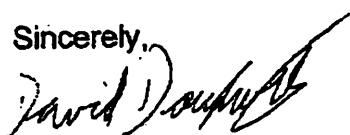
In short, we are concerned that, notwithstanding the large amounts of tax-subsidized donations, the charitable purpose of the organization is being defeated due to the actions of the principles of the organization.  
(refer to *Church of Christ Development Company Ltd v. MNR*)

**Conclusion:**

If you do not agree with the concerns outlined above, we invite you to submit your written representations within 30 days from the date of this letter. After considering the representations submitted by the Charity, the Director General of the Charities Directorate will decide on the appropriate course of action, which may include the issuance of a Notice of Intention to Revoke the registration of the Charity in the manner described in subsection 168(1) of the ITA. Should you choose not to respond, the Director General of the Charities Directorate may proceed with the issuance of a Notice of Intention to Revoke the registration of the Charity in the manner described in subsection 168(1) of the ITA.

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

Sincerely,



David Dougherty  
Audit Advisor  
Charities Directorate  
320 Queen Street, Tower A  
Ottawa, Ontario  
K1A 0L5  
Phone: (613)948-7556  
Fax: (613)948-7648  
Internet: [www.cra-arc.gc.ca/charities/](http://www.cra-arc.gc.ca/charities/)

## **APPENDIX "A"**

### **Section 149.1: [Charities]**

#### **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) since June 1, 1950, acquired control of any corporation; or
- (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 the registered charity has made a gift to another registered charity and it can reasonably be considered that one of the main purposes of making the gift was to unduly delay the expenditure of amounts on charitable activities;
- (b) of the other charity referred to in paragraph (a), if it can reasonably be considered that, by accepting the gift, it acted in concert with the registered charity to which paragraph (a) applies; and
- (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.

#### **Section 168: Notice of intention to revoke registration**

168(1) 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 that is or was registered as a registered charity or is an applicant for registration as a registered charity that objects to a notice under subsection (1) or any of subsections 149.1(2) to (4.1), (6.3), (22) and (23) 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.

#### **Section 172: Appeal from refusal to register, revocation of registration, etc.**

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

Where the Minister

- (a) refuses to register an applicant for registration as a Canadian amateur athletic association,
- (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,
- (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,
- (d) refuses to issue a certificate of exemption under subsection 212(14),
- (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 applicant or the organization, foundation, association or registered charity, as the case may be, in a case described in paragraph (a) or (a.1), the applicant in a case described in paragraph (b), (d), (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.

## **Section 180: Appeals to 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),
- (b) the mailing of notice to a registered Canadian amateur athletic association under subsection 168(1),
- (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
- (c) 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
- (d) 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) applies.

**188(4) Idem**

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”

“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”

“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.

**Section 189****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 mailed 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 registered charity in respect of the charity'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 charity after the day on which the Minister first assessed that liability and before the particular time 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 total of

- (a) the consideration given by the 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, 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.

3) Under section 188 of the Act, the organization must, on or before the day in a taxation year that is one year from the date of the Notice of Intention to Revoke the organization's charitable registration,

- (a) Pay a tax under Part V of the Act for the year; and
- (b) File with the Minister a return, Form T2046 *Tax Return Where Registration of a Charity is Revoked*, (a copy of which is enclosed) in prescribed form and containing prescribed information, without notice or demand therefore.

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.

Additionally, the organization is required to retain its books and records, including duplicate official donation receipts, for a minimum of two years after the date the organization is revoked as per *Income Tax Regulation 5800*.

Furthermore, the organization will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (hereinafter, the ETA), effective the date of revocation. As a result it 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 1-800-959-8287.

Should you have any questions regarding these matters, you may contact the undersigned at (613) 957-8682.

Yours sincerely,



Danie Huppé-Cranford  
Director,  
Compliance Section  
Charities Directorate

Enclosure