



**REGISTERED MAIL**

Jaamiah Al Uloom Al Islamiyyah Ontario  
2944 Audley Rd. N. 1  
Ajax ON L1Z 1T7

Attention: Mr. Abdul Majid Khan

BN: 139265870RR0001

File #: 0936500

September 10, 2012

**Subject:      Revocation of Registration**  
**Jaamiah Al Uloom Al Islamivvah Ontario**

Dear Mr. Khan:

The purpose of this letter is to inform you that a notice revoking the registration of Jaamiah Al Uloom Al Islamivvah Ontario (the Organization) was published in the *Canada Gazette* on September 8, 2012. 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](http://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.

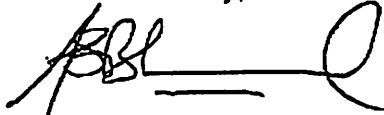
- c) The Organization no longer qualifies as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (ETA). As a result, the Organization may be subject to obligations and entitlements under the ETA that apply to organizations other than charities. If you have any questions about your GST/HST 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,

A handwritten signature in black ink, appearing to read 'ABL', followed by a horizontal line and a large, stylized loop.

Alastair Bland  
Director  
Review and Analysis Division  
Charities Directorate  
Toll free: 1-800-267-2384

Enclosures

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



AUG 02 2012

**REGISTERED MAIL**

Jaamiah Al Uloom Al Islamiyyah Ontario  
2944 Audley Rd. N. 1  
Ajax ON L1Z 1T7

Attention: Mr. Abdul Majid Khan

BN: 139265870RR0001  
File #: 0936500

Subject: **Notice of Intention to Revoke**  
**Jaamiah Al Uloom Al Islamiyyah Ontario**

Dear Mr. Khan:

I am writing further to our letter dated January 6, 2011 (copy enclosed), in which you were invited to submit representations as to why the registration of Jaamiah Al Uloom Al Islamiyyah Ontario (the Organization) should not be revoked in accordance with subsection 168(1) of the *Income Tax Act*.

We have now reviewed and considered the written responses dated March 10, April 4, and May 27, 2011, received from the Organization. For the reasons set out in the attached Appendix A, these representations do not overcome the issues raised by our audit findings.

**Conclusion:**

On the basis of our audit, we have concluded that the Organization has ceased to comply with the requirements of the Act for its continued registration in the following areas: failed to maintain adequate books and records; issued receipts for a gift or donation otherwise than in accordance with the Act or its Regulations; and failed to file information returns as and when required by the Act or its Regulations.

Consequently, for each of the reasons set out in this letter, I wish to advise you that, pursuant to subsection 168(1) of the Act, I 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)(c), (d), and (e) of the Income Tax Act, that I propose to revoke the registration of the organization listed below*

**Canada**

*and that the revocation of registration is effective on the date of publication of this notice.*

<b><i>Business Number</i></b>	<b><i>Name</i></b>
139265870RR0001	Jaamiah Al Uloom Al Islamiyyah Ontario

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:

Assistant Commissioner  
Appeals Branch  
Canada Revenue Agency  
250 Albert Street  
Ottawa ON K1A 0L5

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, unless the Canada Revenue Agency receives an order, **within the next 30 days**, from the Federal Court of Appeal issued under paragraph 168(2)(b) of the Act extending that period.

Please note that the Organization must obtain a stay if it wishes to suspend the revocation process, notwithstanding the fact that it may have filed a Notice of Objection.

#### **Consequences of Revocation**

As of the effective date of revocation:

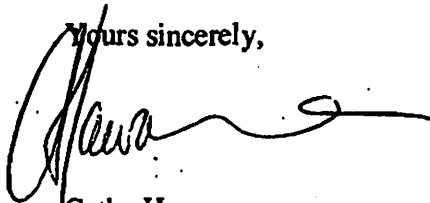
- a) the Organization will no longer be exempt from Part I tax as a registered charity and will no longer be permitted to issue official donation receipts. This means that gifts made to the Organization would not be allowable as tax credits to individual donors or as allowable deductions to corporate 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 may 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 the attached Appendix B. Form T-2046 and

the related Guide RC4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, are available on our website at [www.cra-arc.gc.ca/chrts-gvng/chrts/formspubs/tpctyp-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/formspubs/tpctyp-eng.html); and

- c) the Organization will no longer qualify 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 registered 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 January 6, 2011
- Appendix A, CRA Position on Representations
- Appendix B, Relevant Provisions of the Act



CANADA REVENUE  
AGENCY

AGENCE DU REVENU  
DU CANADA

January 6, 2011

**REGISTERED MAIL**

Jaamiah Al Uloom Al Islamiyyah Ontario  
2944 Audley Rd.  
Ajax, ON L1S 4S7

Attention: Abdul Majid Khan

BN: 139265870 RR0001  
File #: 0936500

**Subject: Audit of Jaamiah Al Uloom Al Islamiyyah Ontario**

Dear Mr. Khan:

This letter is further to the audit of the books and records of Jaamiah Al Uloom Al Islamiyyah Ontario (the Organization) conducted by the Canada Revenue Agency (the CRA). The audit related to the operations of the Organization for the period from January 1, 2007 to December 31, 2008.

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.	Books and Records	230(2), 168(1)(e)
2.	Official Donation Receipts	230(2), Reg. 3501, 168(1)(d)
3.	Gifts to Non-qualified donees	149.1(1), 168(1)(b)
4.	Remuneration and Benefits Reporting	Reg. 200, 168(1)(c)
5.	Filing of T3010	149.1(14); 168(1)(b)

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. In order for a registered charity to retain its registration, legislative and common law compliance is mandatory, absent which the Minister of National Revenue (the Minister) may revoke the Organization's registration 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:**

### **Books and Records**

#### **Legislation:**

Pursuant to paragraph 230(2)(a) of the Act, 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 information in such form as will enable the Minister to determine whether there are any grounds for revocation of its registration under this Act.

#### **Audit Findings:**

The Organization's books and records were found to be inadequate in the following areas:

- For the most part, no record was provided of revenue received or of what was deposited. As a result, the CRA auditor was unable to verify most of the donations to the Organization for which donation receipts were issued. Although some copies of cheques from donors were provided, these were usually not listed in order of date, and it wasn't known which of the various bank accounts they were deposited into.
- Revenue reported for each category of income was apparently based on deposits into the various bank accounts. However, as no other record of revenue was provided, it could not be determined whether the amounts reported were reasonable, or whether all revenue was deposited. For example, the 2008 revenue reported from the Islamic Centre of Durham was based on one deposit of \$31,272 on April 14, 2008 into Royal Bank account # [REDACTED]. No record was provided to support the amount of revenue that was reportedly received from this source on a weekly basis, much of it purportedly in cash.
- Although a listing of donation receipts for 2007 and 2008 was requested by the CRA auditor in a letter dated July 15, 2009, no list was provided that could be reconciled to the amount of tax-receipted gifts reported on line 4500 of the T3010 Registered Charity Information Return. Only a "Donors/Clients List 2008" was provided, but the list was in no particular order, had included 2007 amounts as well as some loans, and did not include donation receipt numbers. The CRA auditor attempted to compile a list of donation receipts issued for 2008 from the donation receipts provided, but was unable to reconcile to the amount of \$482,482 that was reported as tax-receipted gifts on line 4500 of the T3010 return.
- As there was no continuity in the receipt numbers of the donation receipt books provided, it could not be determined whether all of the official donation receipts were accounted for. In fact, as none of the donation receipts contained a statement that it was an official receipt for income tax purposes, and many did not contain the registration number of the Organization, it could also not be

determined whether all of the donation receipts provided were intended to be official donation receipts. Some duplicate donation receipts within the receipt books were also missing, e.g. numbers 4254, 4255, 4402, 4449, 4501, 4517, etc.

- The Organization could not provide documentation or an explanation for a number of payments, e.g. the following 2008 payments:

- June 20	Debit Memo (Meals & Boarding expense)	\$6,000.00
- July 7	WWPA (Meals & Boarding expense)	1,500.00
- July 14	WWPA (Meals & Boarding expense)	2,000.00
- Nov 12	ONLI... (Meals & Boarding expense)	1,500.00
- Nov 19	ONLI... (Meals & Boarding expense)	1,500.00
- Mar 24	BRT... (Donations revenue was debited)	2,915.51
- June 17	WWP... (Donations revenue)	700.00
- July 3	WWPA (Donations revenue)	500.00
- Aug 6	BRT... (Donations revenue)	6,179.90
- Sep 16	RBC (Donations revenue)	2,000.00
- 2008	GRADS – numerous payments were debited to "Jaamiaah Al-Islamiyyah Donations"	17,167.00
- Jan 9	Cash – ICD Imam – Fundraising bonus (Subcontract)	1,200.00
- Sep 29	Online bank transfer (Subcontract expense)	2,000.00
- Oct 6	Online bank transfer (Subcontract expense)	2,000.00
- Oct 7	Online bank transfer (Subcontract expense)	2,000.00
- Oct 9	Online bank transfer (Subcontract expense)	2,000.00
- Nov 2	Cash – ICD Imam Fundraising bonus	700.00
- Nov 2	Cash – ICD Imam Fundraising bonus	500.00

- The Organization couldn't provide a proper analysis of Abdul Majid Khan's loan account as requested. The CRA auditor spent considerable time trying to reconstruct the account in order to verify the correctness of the amount reported. The auditor had to make a number of assumptions in order to arrive at a balance that was close to the amount that was reported.
- The Organization was unable to provide adequate documentation to support the December 31, 2008 journal entry # 52, which recorded expenses amounting to \$129,940 that had purportedly been paid by Abdul Khan's credit cards on behalf of the Organization. The analysis provided was considered unreliable as:
  - the analysis contained amounts that couldn't be traced to the credit card statements or invoices
  - a number of expenses that were noted on the credit card statements as being made for the Organization were apparently not included on the analysis
  - a number of expenses that were not marked as being made for the Organization were included on the analysis as the Organization's expenses. It isn't known whether these expenses were incurred on behalf of the Organization.
  - the purchase of vending machines for \$22,809.05 from Brokerhouse Distributors was not recorded as the Organization's expense. The

payment for this purchase was charged against Mr. Khan's loan account.

- Most of the Organization's expenses that were paid by credit card were only supported by credit card statements and not by the original invoices.
- A number of payments were made to individuals that were said to be reimbursements for expenses they incurred on behalf of the Organization, but no (or insufficient) documentation was provided, e.g.:

- [REDACTED] - total payments during 2008	\$20,765.12
Expense claims provided	(4,600.61)
T4A slip issued	(8,500.00)
Payments not supported by documentation	<u>\$7,664.51</u>
- [REDACTED] - total payments during 2008	\$40,976.27
Expense claims provided	(5,901.23)
T4A slip issued	(22,004.18)
Payments not supported by documentation	<u>\$13,070.86</u>
- [REDACTED] - no T4A, no documentation	6,300.00
- [REDACTED] - no T4A, no documentation	3,700.00
- [REDACTED] - no T4A, no documentation	2,000.00

- No documentation was provided in support of the purchase of books in 2007. The Organization claimed payments to [REDACTED] amounting to \$2,700 that were purportedly borrowed from him in order to purchase books.
- The Organization apparently gives donation receipts to parents for 60% of the school fees paid for their children, in accordance with Information Circular IC75-23. However, it could not provide any documentation in support of this allocation, and did not provide any examples of donation receipts issued that reflected this allocation, as requested.
- The Organization made a payment of \$30,000 to Fiysabiylillah in 2007, purportedly to pay for the expenses related to the Eid Hamper Project. No documentation was provided in support of these expenses.

### **Official Donation Receipts**

#### **Legislation:**

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*.

#### **Audit Findings:**

The audit reveals that the donation receipts issued by the Organization do not comply with the requirements of Regulation 3501 of the Act and IT-110R3 as follows:

- None of the receipts contained a statement that it is an official receipt for income tax purposes.
- Many of the receipts provided did not contain the Organization's registration number. It was not clear whether or not these receipts were intended to be official donation receipts.
- As noted above under **Books and Records**, there was a lack of continuity in the serial numbers of the receipts provided, which did not permit the verification of the donation receipt books for completeness to determine whether all of the official donation receipts were accounted for. As well, some duplicate copies of receipts within the receipt books were also missing, e.g. numbers 4254, 4255, 4402, 4449, 4501, 4517, etc. It also appears that various individuals were allowed to issue and sign the receipts. These factors indicate a lack of control over the receipts.
- The address of the donor was missing from a number of receipts.
- The full name of the Organization as recorded with the CRA (i.e. Jaamiah Al Uloom Al Islamiyyah Ontario) was not shown on the receipts.
- The Organization issued receipts amounting to \$23,233 to donors who donated funds in 2007 to Fiysabiyillah, an organization that was not a registered charity at the time. The Organization appears to have lent its charitable registration number and corresponding tax-receipting abilities to a non-qualified donee. A charity may only issue receipts for gifts made to it and for which it is responsible for using in its own charitable programs. A charity that lends its registration number to any other organization may be subject to revocation. Although the Organization was purported to have partnered with Fiysabiyillah on this project, no documentation was provided to support this.

### **Gifts to Non-qualified Donees**

#### **Legislation**

Other than performing its activities, a registered charity can also gift to qualified donees. A qualified donee is defined in paragraph 110.1(1)(a) and the definitions "total charitable gifts" and "total crown gifts" in subsection 118.1(1). Qualified donees are as follows:

- A registered charity;
- An RNASO (Registered Arts Service Organization) [(since under 149.1(6.4) it should be treated as a registered charity and classified as a charitable organization)];
- An RCAA (Registered Amateur Athletic Association);
- Certain housing corporations;
- A municipality in Canada;
- The United Nations or one of its agencies;
- A university outside Canada found in Schedule VIII of the Act;
- A charitable organization outside Canada to which Her Majesty in the right of Canada or a province has donated (found in IC 84-3R5, "Gifts to Certain Charitable Organizations Outside Canada");
- Her Majesty in the right of Canada.

**Audit Findings:**

In December 2007, the Organization made a gift of \$30,000 to Fiysabiylillah, an organization that was not a registered charity at the time. Although the payment was purported to have been to pay all expenses related to the Eid Hamper Project, no documentation was provided in support of this. It was noted that Fiysabiylillah made a payment to the Organization of \$30,000, which was purported to be the amount of funds raised for the project, and that the Organization then returned the same amount to Fiysabiylillah.

**Remuneration and Benefits Reporting**

**Legislation:**

Where salaries or wages are paid, the Act requires annual T4 Summaries and T4 Statements of Remuneration Paid be prepared by the employer. Where payments are made for fees, commissions or other amounts for services a T4A slip and T4A Summary must be prepared where those payments amount to \$500 or more during the year for an individual. [Regulation 200(1)]. In addition to the salaries and wages actually paid, the T4 Summaries and T4 Statements of Remuneration Paid must also include the value of all taxable benefits conferred on employees in the year [paragraph 6(1)(a)].

**Audit Findings:**

- The Organization made a number of payments to individuals during 2007 that were claimed as Salaries, Subcontract or Commission expense for which no T4's or T4A's were issued, e.g.:

[REDACTED]	\$7,750
[REDACTED]	6,500
[REDACTED]	4,100
[REDACTED]	9,050
[REDACTED]	5,450
[REDACTED]	7,198
[REDACTED]	5,850

There were also other amounts in addition to the above in both 2007 and 2008. As well, we have also noted additional payments for 2008 for which no T4's or T4A's were issued under **Books and Records** above. When the address of the above individuals was requested, the Organization could provide an address for only [REDACTED]

- The Organization leased several vehicles during 2007 and 2008, i.e.:

- Feb - Dec/07	Halton Honda - monthly	\$509.45
- Jan - Dec/07	Richmond Hill Pontiac - monthly	1,734.94
- Jan - Dec/08	Richmond Hill Pontiac - monthly	1,719.73
- Jan/07 - Dec/08	Toyota - monthly	410.00

The records did not provide the names of the individuals who had driven these vehicles and there were no apparent details with respect to the allocation between personal and business use. Personal use of a vehicle belonging to the Organization is a taxable benefit that should be reported on the T4 or T4A of the individual.

- The Organization paid for repairs to vehicles that were not owned or leased by it, purportedly to reimburse the owners for trips made on behalf of the Organization, e.g.:

- Aug 11/08	Lexus of Ann Arbor	\$5,698.47
- Sep 28/08	Acura East	1,542.65

It is the CRA's position that such expenses are taxable benefits to those who owned or leased the vehicles. Reimbursements that are made on a reasonable per-kilometre basis are not considered taxable.

- The Organization paid the airfare for personal trips made by two individuals who performed volunteer work:

- May 16/08	Pakistan Int'l Airlines re [REDACTED]	\$1,630
- July 25/08	Pakistan Int'l Airlines re [REDACTED]	- amount not known

These payments are considered to be taxable benefits to the volunteers, and should have been reported on a T4 or T4A.

### **Filing of T3010**

#### **Legislation:**

Every registered charity shall, within 6 months from the end of each taxation year of the charity, file with the Minister both an information return and a public information return for the year, each in prescribed form and containing prescribed information, without notice or demand therefor.

#### **Audit Findings:**

The audit revealed that the Organization has never filed its T3010 Charity Information Return within the required 6 months from the end of its taxation year since registration.

#### **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
- the Minister 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 the undersigned at the numbers indicated below.

Yours truly,

[Redacted Signature]  
[Redacted Title]  
**Audit Division**  
**Kitchener/Waterloo Tax Services Office**

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

Enclosure:

- Interpretation Bulletin IT-110R3

**JAAMIAH AL ULOOM AL ISLAMIYYAH ONTARIO**

**CRA POSITION ON REPRESENTATIONS**

Following our review of the Organization's representations of March 10, April 4, and May 27, 2011, the CRA maintains the position that the Organization has ceased to comply with the core requirements of the *Income Tax Act* in the following areas:

**Issue 1: Failed to Maintain Adequate Books and Records**

The audit revealed that the Organization failed to maintain adequate books and records, as follows:

**1.1 Audit Findings on Lack of Records with Respect to Revenue and Receipting**

For the most part, no record was provided of revenue received or of what was deposited. As a result, the CRA auditor was unable to verify most of the donations to the Organization for which donation receipts were issued. Although some copies of cheques from donors were provided, these were usually not listed in order of date, and it was not known which of the various bank accounts they were deposited into.

Revenue reported for each category of income was apparently based on deposits into the various bank accounts. However, as no other record of revenue was provided, it could not be determined whether the amounts reported were reasonable, or whether all revenue was deposited. For example, the 2008 revenue reported from the Islamic Centre of Durham, a service-providing division of the Organization, was based on one deposit of \$31,272 on April 14, 2008, into Royal Bank account No. [REDACTED]. No record was provided to support the amount of revenue that was reportedly received from this source on a weekly basis, much of it purportedly in cash.

Although a listing of donation receipts for 2007 and 2008 was requested by the CRA auditor in a letter dated July 15, 2009, no list was provided that could be reconciled to the amount of tax-receipted gifts reported on line 4500 of the T3010, *Registered Charity Information Return*. Only a "Donors/Clients List 2008" was provided, but the list was in no particular order, had included 2007 amounts as well as some loans, and did not include donation receipt numbers. The CRA auditor attempted to compile a list of donation receipts issued for 2008 from the donation receipts provided, but was unable to reconcile to the amount of \$482,482 that was reported as tax-receipted gifts on line 4500 of the T3010 return.

As there was no continuity in the receipt numbers of the donation receipt books provided, it could not be determined whether all of the official donation receipts were accounted for. In fact, as none of the donation receipts contained a statement that it was an official receipt for income tax purposes, and many did not contain the registration number of the Organization, it could also not be determined whether all of the donation receipts provided were intended to be official donation receipts. Some duplicate donation receipts within the receipt books were also missing, for example, numbers 4254, 4255, 4402, 4449, 4501, and 4517.

## **Organization's Representation**

In addressing the audit findings, the Organization, in its letter of April 4, 2011:

- acknowledged that it has "not been recording received donations in a manner suitable to the CRA's standard," which resulted in the fact that the CRA was unable to verify most of the donations the Organization issued donation receipts for. The Organization also claimed that it was never "advised by [its] accountants to record the amount, date, and the bank account in which [it] deposited them";
- stated that it has been "improving [its] bookkeeping of all revenue received," and ensured the CRA that its inability to determine whether the amounts reported as revenue were reasonable or whether all revenue was deposited to a bank account due to the lack of records would not be an "issue" in the future;
- stated that it was "improving [its] data entry of all donations/loans received.... This list will be in order of date of donation and will include donation receipt numbers," and ensured the CRA that, in the future, its "listings of donation receipts will definitely coincide with the amount [it] reports as tax-receipted gifts"; and
- claimed that when it receives a donation, the Organization "initially provides the donor with an unofficial receipt.... Thereafter, [it] issues an official receipt to them for tax purposes." The Organization continued to state that it was "constantly improving the management of the issuance of receipts ensuring the continuity in the receipt numbers of [its] receipt books." The Organization also added that it was now "issuing [its] official receipts with [its] registration number and a statement that it is official."

In addition, the Organization, in its letter of May 27, 2011:

- stated that the person who maintained the bookkeeping for the years 2007 and 2008 was not properly trained, thus, "most of the transactions have not a proper audit trail";
- provided copies of "Weekly Jummah Collection Summary" for Islamic Centre of Durham, covering the period from April 2007 to April 2008;
- stated that "Revenue received is deposited regularly in Jaamiah bank account and proper acknowledge receipt is issued to the payers." The Organization added that "Donation tax receipts for the year 2007 and 2008 were issued and a details list showing the amount, date and receipts number is attached for [the CRA]." With this, the Organization submitted a copy of "Details List of Official Tax Receipts" for the 2007 and 2008 years; and
- requested that reported total eligible amount of tax-receipted gifts (line 4500) on T3010 be revised to read \$536,504, from \$282,000, for fiscal period ending 2007, and \$431,938, from \$482,482, for 2008.

### **1.2 Audit Findings on Lack of Documentation for Payments Made in 2008**

The Organization could not provide documentation or an explanation for a number of payments, including the following 2008 payments:

- June 20	Debit Memo (Meals & Boarding expense)	\$6,000.00
- July 7	WWPA (Meals & Boarding expense)	1,500.00

- July 14	WWPA (Meals & Boarding expense)	2,000.00
- Nov 12	ONLI... (Meals & Boarding expense)	1,500.00
- Nov 19	ONLI... (Meals & Boarding expense)	1,500.00
- Mar 24	BRT... (Donations revenue was debited)	2,915.51
- June 17	WWP... (Donations revenue)	700.00
- July 3	WWPA (Donations revenue)	500.00
- Aug 6	BRT... (Donations revenue)	6,179.90
- Sep 16	RBC (Donations revenue)	2,000.00
- 2008	GRADS – numerous payments were debited to “Jaamia Al-Islamiyyah Donations”	17,167.00
- Jan 9	Cash – ICD Imam – Fundraising bonus (Subcontract)	1,200.00
- Sep 29	Online bank transfer (Subcontract expense)	2,000.00
- Oct 6	Online bank transfer (Subcontract expense)	2,000.00
- Oct 7	Online bank transfer (Subcontract expense)	2,000.00
- Oct 9	Online bank transfer (Subcontract expense)	2,000.00
- Nov 2	Cash – ICD Imam Fundraising bonus	700.00
- Nov 2	Cash – ICD Imam Fundraising bonus	500.00

### **Organization's Representation**

The Organization admitted, in its letter of April 4, 2011, that it did “not pay much attention to maintaining the receipts of these expenses.” It also added that its “accountant was also aware of this but never informed [the Organization] of the correct method.”

### **1.3 Audit Findings on Lack of Documentation for Mr. Khan's Loan Account and Credit Card Purchases**

The Organization could not provide a proper analysis of Mr. Abdul Majid Khan's loan account as requested.

The Organization was unable to provide adequate documentation to support the December 31, 2008, journal entry No. 52, which recorded expenses amounting to \$129,940 that had purportedly been paid by Mr. Khan's credit cards on behalf of the Organization. The analysis provided was considered unreliable as:

- the analysis contained amounts that could not be traced to the credit card statements or invoices;
- a number of expenses that were noted on the credit card statements as being made for the Organization were apparently not included on the analysis;
- a number of expenses that were not marked as being made for the Organization were included on the analysis as the Organization's expenses. It is not known whether these expenses were incurred on behalf of the Organization; and
- the purchase of vending machines for \$22,809.05 from Brokerhouse Distributors was not recorded as the Organization's expense. The payment for this purchase was charged against Mr. Khan's loan account.

Most of the Organization's expenses that were paid by credit card were only supported by credit card statements and not by the original invoices.

### Organization's Representation

The Organization stated, in its letter of April 4, 2011, that:

- it was "still working on the issue with [its] accountant," and that it needed "a little more time in clarifying this matter." Thus, the Organization has not provided the documents to demonstrate the accuracy of the reported loan amounts, or to support the recorded expenses of \$129,940; and
- it believed that the credit card statements were adequate to support expenses paid by credit cards, and as a result, it did "not pay much attention to the invoices." Thus, the Organization was unable to provide source documents, such as invoices, or to support the Organization's expenses that were paid with Mr. Khan's credit cards.

### 1.4 Audit Findings on Lack of Documentation to Support Reimbursement Made to Individuals

A number of payments were made to individuals in 2008 that were said to be reimbursements for expenses they incurred on behalf of the Organization, but no (or insufficient) documentation was provided, including:

Audit Finding	Organization's Representation – April 4, 2012
██████████ Unsupported payment of \$7,664.51	The Organization claimed that the amounts were reimbursements for expenses made by the individual on behalf of the Organization, and that the Organization was documenting it in the form of expense claim forms. No supporting documents were provided for review.
██████████ Unsupported payment of \$13,070.86	The Organization claimed that the amounts were reimbursements for expenses made by the individual on behalf of the Organization, and that the Organization was documenting it in the form of expense claim forms. No supporting documents were provided for review.
██████████ Unsupported payment of \$6,300	The Organization stated that it was "making an effort" to contact ██████████ and that it would provide the CRA with clarification in due time. No additional information or records were provided for review.
██████████ Unsupported payment of \$3,700	The Organization stated that it was "still communicating ██████████" and that it would provide the CRA with clarification in due time. No additional information or records were provided for review.
██████████ Unsupported payment of \$2,000	The Organization stated that it was "still communicating with ██████████" and that it would provide the CRA with clarification in due time. No additional information or records were provided for review.

### **1.5 Audit Findings on Lack of Documentation for Purchase of Books in 2007**

No documentation was provided in support of the purchase of books in 2007. The Organization claimed payments to [REDACTED] amounting to \$2,700 that were purportedly borrowed from him in order to purchase books.

#### **Organization's Representation**

The Organization, in its April 4, 2011 letter, revised the above explanation, thereby, claiming that the amount it gave to [REDACTED] was to compensate him for the "expenses he had to bear to bring the books to [the] organization," in contrast to the previous assertion that the amount was borrowed to purchase books. The Organization valued the donated books to be at least \$20,000. No records were provided to substantiate the expenses reimbursed to Mr. Khan or the fair market value of the books.

### **1.6 Audit Findings on Lack of Documentation for Allocated Donation Amounts for School Fees**

The Organization apparently gives donation receipts to parents for 60% of the school fees paid for their children, in accordance with Information Circular IC75-23<sup>1</sup>. However, it could not provide any documentation in support of this allocation, and did not provide any examples of donation receipts issued that reflected this allocation, as requested.

#### **Organization's Representation**

The Organization, in its April 4, 2011 letter, provided two examples of "Student Profiles" involving two students to whom donation tax receipts were issued. These receipted amounts represented 60% of the student fees each paid. No additional documentation was provided to explain how the Organization arrived at the 60% figure.

### **1.7 Audit Findings on Lack of Documentation for Payment Made to Fiysabiylillah**

The Organization made a payment of \$30,000 to Fiysabiylillah in 2007, purportedly to pay for the expenses related to the Eid Hamper Project. No documentation was provided in support of these expenses.

#### **Organization's Representation**

The Organization, in its April 4, 2011 letter, stated that it was Fiysabiylillah that actually made purchases with that \$30,000. The Organization further directed the CRA to contact Fiysabiylillah for further information on the expenses.

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<sup>1</sup> Income Tax Information Circular IC75-23, *Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools*

## **CRA Position on Issue 1**

As the Organization acknowledged, it failed to comply with its legal obligations to maintain proper books and records for the period under review. The CRA does not accept the Organization's representation that it was not aware of the legal obligation to maintain proper books and records.<sup>2</sup>

When the Organization was advised that it had been granted tax-exempt status as a registered charity<sup>3</sup>, it was provided with copies of Information Circular IC80-10R, *Registered Charities: Operating a Registered Charity*, and Interpretation Bulletin IT-110R2, *Deductible Gifts and Official Donation Receipts*,<sup>4</sup> to assist the Organization in complying with its operational and filing requirements so that it would maintain its registered status. The Organization was also invited to contact the CRA if it required further assistance.<sup>5</sup> Therefore, our view remains that the Organization should have been able to provide all books and records, including source documents with respect to revenue and donation receipting (section 1.1 above), payments made in 2008 (section 1.2 above), Mr. Khan's loan account and credit card purchases (section 1.3 above), reimbursements made to individuals (section 1.4 above), purchase of books in 2007 (section 1.5 above), allocated donation amounts for school fees (section 1.6 above), and for payment made to Fiysabiylillah (section 1.7 above).

The "Weekly Jummah Collection Summary," to account for the revenues reported from the Islamic Centre of Durham, fails to satisfactorily explain the deposit of \$31,272 in 2008, as the Summary, which covered the collection period from April 2007 to April 2008, does not coincide with the Organization's fiscal reporting period of January to December. Also, the total amount shown on the Summary of \$32,434 does not match to the deposited amount of \$31,272. Furthermore, the Organization did not provide any records, such as bank deposit slips or other supporting documents, which could account for the existence, source, and nature of the amounts being collected or deposited. Given the fact that much of the collection was purportedly in cash, and that the Organization claimed that it had regularly made deposits in its bank accounts, it would be highly unreasonable to believe that the Organization held on to such a quantity of funds in cash throughout 2007 and part of 2008 to make one lump sum deposit of \$31,272 in April, 2008. Therefore, it remains our view that the Organization did not satisfactorily explain or account for the reported revenue of \$31,272. Thus, the single deposit of \$31,272 remained unexplained.

The "Details List of Official Tax Receipts" (the list), submitted with the Organization's letter of May 27, 2011, reports a total amount of \$431,938 for which official tax receipts were reportedly issued in 2008, is unreliable.<sup>6</sup>

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<sup>2</sup> CRA publication, RC4409, *Keeping Records*, explains that "If you are required to keep records, you are responsible for keeping, maintaining, retaining, and safeguarding your records," and that "You are responsible for making your records available to CRA officials." For more information, go to [www.cra-arc.gc.ca/E/pub/tg/rc4409/README.html](http://www.cra-arc.gc.ca/E/pub/tg/rc4409/README.html), and select the topic "Your responsibilities for record keeping," under Chapter One of the guide. At the time of the audit period, Subsection 230(2) of the Act specified that "every registered charity and registered Canadian amateur athletic association 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 this Act." Please note that on December 15, 2011, the Act was amended so that "Every qualified donee referred to in paragraphs (a) to (c) of the definition "qualified donee" in subsection 149.1(1) shall keep records and books of account ... at an address in Canada recorded with the Minister or designated by the Minister".

<sup>3</sup> CRA letter of Notification of Registration, dated December 01, 1992.

<sup>4</sup> Has since been superseded by Interpretation Bulletin IT-110R3, *Gifts and Official Donation Receipts*, June 20, 1997.

<sup>5</sup> The contact information included local and toll-free telephone numbers for CRA's General Enquiries Unit.

<sup>6</sup> In submitting the list, the Organization revised the total eligible amount of tax-receipted gifts (line 4500, T3010) to \$431,938, from the previously reported amount of \$482,482.

Each entry on the list was compared to duplicate receipts that were provided by the Organization during the audit visit; however, we found 30% discrepancies between the duplicate receipts and the list provided. Such level of discrepancies is determined to be significant and material.

The type of discrepancies observed included official receipts being issued when the source documents indicated that the receipts were either cancelled, voided, or not used; the source documents indicating that official receipts were issued, but not recorded on the list; and amounts, dates, names, or addresses recorded on the list not matching to that of the duplicate receipts. Moreover, a number of entries on the list, for example, receipt Nos. 1673, 1817, 1821, 4256, 4260, and 4267, failed to match to the duplicate receipts on multiple aspects of information all together, such as the amount, date, name, and address. Furthermore, we note that the actual total receipted amount on the list, which was obtained by adding all the amounts, came to \$358,518, yet the Organization requested to have the total eligible amount of tax-receipted gifts (line 4500, T3010) be revised to \$431,938, resulting in a variance of \$73,420 (\$431,938 – \$358,518) that remains unexplained.

In addition to the above observation, the Organization failed to provide any additional documents that would have explained the variances between the list and the duplicate receipts.<sup>7</sup> As a result, the request for revising the amount for line 4500 is not accepted, and it remains our view that the exact official donation receipted amount for 2008, or whether all of the official donation receipts were accounted for, cannot be determined.

The CRA cannot accept the Organization's representation regarding the payment of \$2,700 to compensate [REDACTED] for the expenses "he had to bear to bring books to the organization" as the Organization has not provided any supporting documentation to substantiate the expense, or to demonstrate that such payment was a reasonable compensation to "bring the books to our organization."<sup>8</sup>

The Organization also failed to demonstrate the value of the books [REDACTED] donated to the Organization, as it was unable to provide supporting documents, such as purchase invoices or sales receipts, which would indicate a reasonable range of the value of the books donated. The CRA still has not been provided any documents that the value of books was, in fact, \$20,000, as claimed by the Organization. Although the Organization states that it did not issue an official receipt for the books it received from [REDACTED], documentary evidence of the fair market value (FMV)<sup>9</sup> of the books may have had a significant relevance in determining the level of reasonability or appropriateness of the cost expended related to the donated books.

It remains our view that the Organization failed to maintain, and was unable to provide, proper books and records to demonstrate that its receipting practices with respect to school fees were proper and appropriate.<sup>10</sup> While a portion of tuition fees may qualify for a charitable donation<sup>11</sup>, the CRA is unable

<sup>7</sup> In short, the Organization failed to provide any source documents that would explain the new 2008 amounts on the list, or any variance between the list provided and the duplicate receipts.

<sup>8</sup> This explanation differs from the explanation originally given by Ms. Fozia Alim-Hoosainny, the Organization's accountant at the time, which stated that the amount was to repay the funds borrowed from [REDACTED] to purchase books.

<sup>9</sup> "Fair market value generally means the highest price, expressed in dollars, that a property would bring in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other." (CSP-F02, at [www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-f02-eng.html](http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-f02-eng.html))

<sup>10</sup> IC75-23 discusses on the issues relating to tuition fees and charitable donations, and provides two methods of calculating the donation portion of tuition fees paid. One is for a school that can and does segregate the cost of operating the secular portion of the school and the

to make that determination as the Organization did not provide any supporting documents to show how it calculated the school fees charged, and how the rate of 60% was reasonable and appropriate for receipting.

The Organization failed to maintain and was unable to provide books and records to explain the nature of and to account for the \$30,000 payment it made to Fiysabiylillah in 2007. The failure of the Organization to account for the expenditures to Fiysabiylillah further evidences the CRA's finding that the Organization provided funding to a non-qualified donee. Please refer to "Audit Findings on Lending of Registration Number to Another Entity (Third-party Receipting)," under Issue 2, below.

Therefore, it remains the CRA's position that for each of the reasons described above, the Organization did not maintain adequate books and records, and for each of these reasons alone, the Organization has failed to comply with, and has contravened, subsection 230(2) of the Act and Regulation 5800(1). Therefore, pursuant to paragraph 168(1)(e) of the Act, the Minister may revoke the registered status of the Organization.

## **Issue 2: Issued Receipts for a Gift or Donation Otherwise than in Accordance with the Act or its Regulations**

The audit revealed that the official donation receipts issued by the Organization did not comply with Regulation 3501 of the Act<sup>12</sup>, as follows:

### **2.1 Audit Findings on Contents of Official Donation Receipts**

None of the receipts contained a statement that it is an official receipt for income tax purposes.

Many of the receipts provided did not contain the Organization's registration number. It was not clear whether or not these receipts were intended to be official donation receipts.

As noted above relating to Books and Records, under the subheading of "1.1 Audit Findings on Lack of Records with Respect to Revenue and Receipting," there was a lack of continuity in the serial numbers of the receipts provided, which did not permit the verification of the donation receipt books for completeness to determine whether all of the official donation receipts were accounted for. As well, some duplicate copies of receipts within the receipt books were also missing. It also

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cost of providing religious training, and the other for one that does not or cannot segregate such cost. Please refer to IC75-23, which can be found at [www.cra-arc.gc.ca/E/pub/tp/ic75-23/ic75-23-e.html](http://www.cra-arc.gc.ca/E/pub/tp/ic75-23/ic75-23-e.html).

<sup>11</sup> Under the definition of "total charitable gifts," subsection 118.1(1) of the Act, and IC75-23 - Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools.

<sup>12</sup> Regulation 3501, subsection (1) of the Act prescribes the content requirements for official receipts. The following is an excerpt from the subsection, containing only of requirements that were found to be relevant to the audit findings:

(1) Every official receipt issued by a registered organization shall contain a statement that it is an official receipt for income tax purposes, and shall show clearly, in such a manner that it cannot readily be altered,

(a) the name and address in Canada of the organization as recorded with the Minister;

(b) the registration number assigned by the Minister to the organization;

(c) the serial number of the receipt;

(h) the name and address of the donor including, in the case of an individual, his first name and initial;

(h) the amount;

(i) the signature, as provided in subsection (2) or (3), of a responsible individual who has been authorized by the organization to acknowledge donations;

appears that various individuals were allowed to issue and sign the receipts. These factors indicate a lack of control over the official donation receipts.

The address of the donor was missing from a number of receipts.

None of the issued receipts properly indicated the full name of the Organization as recorded with the CRA, that is, Jaamiaah Al Uloom Al Islamiyyah Ontario, by missing the word "Ontario."

### **Organization's Representation**

In addressing the audit findings, the Organization, in its letter of April 4, 2011:

- explained that it issued two receipts to their donors, and specified that "Initially we give them a receipt, which does not contain our registration number and statement that it is an official receipt, upon receiving their donation. Thereafter, we issue them our official donation receipts";
- stated that it currently has one individual for signing all official receipts. The Organization also ensured the CRA that the practice of signing and issuing the receipts by various individuals would not be an issue in the future;
- stated that it occasionally did "not insert the address of the donor on [the] receipt upon request from the donor. We do, however, acquire their address directly from them"; and
- stated that it was not "aware that it was necessary for 'Ontario' to be added with 'Jaamiaah Al Uloom Al Islamiyyah' on [the] receipts. We ensure that this will not be an issue in future".

### **2.2 Audit Findings on Lending of Registration Number to Another Entity (Third-party Receipting)**

The Organization issued receipts amounting to \$23,233 to donors who donated funds in 2007 to Fiysabiylillah, an organization that was not a registered charity at the time. The Organization appears to have lent its charitable registration number and corresponding tax-receipting abilities to a non-qualified donee. A charity may only issue receipts for gifts made to it and for which it is responsible for using in its own charitable programs. A charity that lends its registration number to any other organization may be subject to revocation. Although the Organization was purported to have partnered with Fiysabiylillah on this project, no documentation was provided to support this assertion.

### **Organization's Representation**

In addressing the audit finding, the Organization, in its letter of April 4, 2011, stated that Ms. Fozia Hussein, who was the Organization's accountant at the time, asked the Organization "to allow her to use [the Organization's] registration number for her organization, Fiysabiylillah. She ensured us that it was okay, so we let her use the number."

## **CRA Position on Issue 2**

As mentioned in our letter dated January 6, 2011, Regulation 3501, along with CRA's Income Tax Interpretation Bulletin IT-110R3<sup>13</sup>, "*Gifts and Official Donation Receipts*," provides content requirements with respect to official donation receipts. The purpose of these requirements is to ensure that only those organizations that are registered may issue official donation receipts as prescribed in the Regulation.

The Organization has not alleviated our concerns regarding the handling of its official donation receipts, and failed to maintain control over the donation receipts it issued. This has been made apparent by our observation regarding the lack of continuity in the serial numbers, and the Organization's failure to provide duplicate copies for many of the receipts issued.

Furthermore, when an initial receipt, or a temporary receipt, was issued, which the Organization stated that it did, the temporary receipt did not contain, as it should have, a notation to the effect that "this copy is for your information only and is not an official receipt for income tax purposes."<sup>14</sup> While this particular issue would not necessarily result in revocation on its own, we have included it for completeness.

It therefore remains our view that the Organization failed to meet the content requirements of Regulation 3501 for official donations receipts. These requirements, which the Organization failed to meet, include in all cases the statement that it is an "official receipt for income tax purposes" and the full name of the Organization as recorded with the CRA, and in many cases the registration number and the address of the donor.<sup>15</sup>

Of additional concern is the Organization's acknowledgment that it used its registration number to issue donation receipts intended for the operations and activities of Fiysabiylillah, a non-registered charity at the time. Furthermore, no records were provided to indicate that the Organization actually excised its control or dispensed directions over the funds it receipted. In this case, the sequence of the events is as follows:

- in 2007, Fiysabiylillah conducted a fundraising event to finance its Eid Hamper Project; Fiysabiylillah was responsible for raising funds for the project and purchasing items for the hampers;
- following the fundraising, Fiysabiylillah deposited \$30,000 in the Organization's bank account, and provided a list of donors requesting tax receipts, amounting to \$23,230;
- upon receipts of the donor list provided by Fiysabiylillah, the Organization issued donation receipts to the individuals on the list as provided by Fiysabiylillah; then
- the Organization returned the \$30,000 to Fiysabiylillah.<sup>16</sup>

<sup>13</sup> Interpretation Bulletin IT-110R3 includes some observations on the issue of official donation receipts. IT-110R3 can be found at [www.cra-arc.gc.ca/E/pub/tp/it110r3/README.html](http://www.cra-arc.gc.ca/E/pub/tp/it110r3/README.html).

<sup>14</sup> *Ibid*, paragraph No. 17.

<sup>15</sup> Regulation 3501(1)

<sup>16</sup> The payment of \$30,000 to Fiysabiylillah was also considered from the perspective of gifting to non-qualified donees; however, it was determined not to pursue this additional contravention of 149.1(1) of the Act because this concern is addressed under the heading "Audit Findings on Lending of Registration Number to Another Entity (Third-party Receipting)" in section 2.2 above. At the time of the audit,

A registered charity may not issue receipts for gifts intended for an unregistered organization, or allow a non-registered organization to use its charitable registration number. This lending of the Organization's registration number to another entity seriously undermines the integrity of Canadian charities system, and that such a non-compliance practice would be significant enough that it would constitute grounds for revocation.

Therefore, it remains the CRA's position that for each of the reasons described above, the Organization issued donation receipts in contravention to the Act and Regulation 3501, and for these reasons alone, the Minister may revoke the Organization's registered status as a charity, pursuant to paragraph 168(1)(d) of the Act.

### **Issue 3: Failed to File Information Returns As and When Required by the Act or its Regulations**

#### **3.1 Audit Finding with Respect to Remuneration and Benefits Reporting**

The audit revealed that the Organization made a number of payments to individuals in 2007 that were claimed as salaries, subcontract or commission expense for which no T4 or T4A were issued, including to:

- [REDACTED]	\$7,750
- [REDACTED]	6,500
- [REDACTED]	4,100
- [REDACTED]	9,050
- [REDACTED]	5,450
- [REDACTED]	7,198
- [REDACTED]	5,850

There were also other amounts in addition to the above in both 2007 and 2008. As well, we have also noted additional payments for 2008, for which no T4 or T4A were issued under Books and Records, that is, Issue 1, above. When the address of the above individuals was requested, the Organization could provide an address for only [REDACTED]

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the term qualified donee was defined in subsection 149.1(1) of the Act to mean an organization described in paragraphs 110.1(1)(a) and (b) to which Canadian taxpayers may directly make "Charitable Gifts", or "Gifts to Her Majesty", as defined by subsection 118.1(1). Please note that since December 15, 2011, the Act defines the term "qualified donee" to mean a person that is:

- (a) registered by the Minister and that is
  - (i) a housing corporation resident in Canada and exempt from tax under this Part because of paragraph 149(1)(i) that has applied for registration,
  - (ii) a municipality in Canada,
  - (iii) a municipal or public body performing a function of government in Canada that has applied for registration,
  - (iv) a university outside Canada that is prescribed to be a university the student body of which ordinarily includes students from Canada, or
  - (v) a charitable organization outside Canada to which Her Majesty in right of Canada has made a gift in the 36-month period that begins 24 months before that time,
- (b) a registered charity,
- (c) a registered Canadian amateur athletic association, or
- (d) Her Majesty in right of Canada or a province, the United Nations or an agency of the United Nations.

The Organization leased several vehicles during 2007 and 2008, including:

- Feb – Dec/07	Halton Honda – monthly	\$ 509.45
- Jan – Dec/07	Richmond Hill Pontiac - monthly	1,734.94
- Jan – Dec/08	Richmond Hill Pontiac – monthly	1,719.73
- Jan/07 – Dec/08	Toyota – monthly	410.00

The records did not provide the names of the individuals who had driven these vehicles and there were no apparent details with respect to the allocation between personal and business use. Personal use of a vehicle belonging to the Organization is a taxable benefit that should be reported on the T4 or T4A of the individual.

The Organization paid for repairs to vehicles that were not owned or leased by it, purportedly to reimburse the owners for trips made on behalf of the Organization, including:

- Nov 24/08	Lexus of Ann Arbor	\$5,698.47
- Oct 24/08	Acura East	1,542.65

It is the CRA's position that such expenses are taxable benefits to those who owned or leased the vehicles. Reimbursements that are made on a reasonable per-kilometre basis are not considered taxable.

The Organization paid the airfare for personal trips made by two individuals who performed volunteer work:

- May 16/08	Pakistan Int'l Airlines re [REDACTED]	\$1,630
- July 25/08	Pakistan Int'l Airlines re [REDACTED]	Amount unknown

These payments are considered to be taxable benefits to the volunteers, and should have been reported on a T4 or T4A.

### **Organization's Representation**

The Organization did not address the above concerns in any of its representations of March 10, April 4, or May 27, 2011.

### **3.2 Audit Finding with Respect to Registered Charity Information Return Filing**

The audit revealed that the Organization has never filed its T3010, *Registered Charity Information Return*, within the required 6 months from the end of its taxation year since registration.

### **Organization's Representation**

The Organization did not address the above concerns in any of its representations of March 10, April 4, or May 27, 2011.

### **CRA Position on Issue 3**

As explained in our letter of January 6, 2011, Regulation 200 of the Act requires that every person who makes payment in respect of salaries, wages, and other remuneration must make an information return in prescribed form, that is, T4 Summaries and T4 *Statements of Remuneration Paid*, or T4A, *Statement of Pension, Retirement, Annuity, and Other Income*.

In addition to the salaries and wages actually paid, the T4 Summaries and T4 must also include the value of all taxable benefits conferred on employees by virtue of an office or employment in the year, pursuant to subsection 6(1) of the Act. The Organization remains non-compliant with respect to information returns for remuneration paid and taxable benefits conferred.

As mentioned, again, in our letter dated January 6, 2011, subsection 149.1(14) of the Act specifies that every registered charity must file both an information return and a public information return for the year, without notice or demand within six months from the end of each fiscal period.

The Organization has never filed its T3010 returns within the specified time since its registration in 1992, including the audit years of 2007 and 2008. The returns for the 2007 and 2008 years were filed about a month late from the time the Organization was required to do so. This tendency of late filing by the Organization was also observed for the 2009 and 2010 years, where these returns were filed five months and two and a half months late, respectively.

Therefore, it remains the CRA's position that for each of the reasons described above, the Organization failed to file information returns as and when required by the Act, and for each of these reasons alone, has failed to comply with, and contravened, subsection 149.1(14) and Regulation 200. Therefore, pursuant to paragraph 168(1)(c) of the Act, the Minister may revoke the registered status of the Organization.

**RELEVANT PROVISIONS OF THE ACT**

**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(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**

**Section 168(1): Notice of intention to revoke registration**

The Minister may, by registered mail, give notice to a person described in any of paragraphs (a) to (c) of the definition "qualified donee" in subsection 149.1(1) that the Minister proposes to revoke its registration if the person

- (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;

- (c) in the case of a registered charity or registered Canadian amateur athletic association, fails to file an information return as and when required under this Act or a regulation;
- (d) issues a receipt for a gift 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 the granting of which was expressly or implicitly conditional on the association making a gift to another person, club, society or association.

#### **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).

## **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) 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,
- (d) [Repealed]
- (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.

## **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) [Repealed]
- (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.

### **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 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.