Canada Revenue Agency | Agence du revenu du Canada

REGISTERED MAIL

M & RM Training Centre & Workshop Toronto
530-665 Kennedy Road
Toronto ON M1K 5E2

BN: 89022 1260

Attention: Michael Mallay

File #: 0711713

August 30, 2011

Subject: **Revocation of Registration**
M & RM Training Centre & Workshop Toronto

Dear Sir:

The purpose of this letter is to inform you that a notice revoking the registration of M & RM Training Centre & Workshop Toronto (the Organization) was published in the *Canada Gazette* on August 27, 2011. 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 formT-2046, *Tax Return Where Registration of a Charity is Revoked* (the Return). The Return must be filed, and the tax paid, on or before the day that is one year from the date of the Notice of Intention to Revoke. A copy of the Return is enclosed. The related Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, is available on our website at www.cra-arc.gc.ca/E/pub/tg/rc4424.

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

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

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

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

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

Yours sincerely,

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

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

c.c.: Karan Zomorodi

Canada Revenue Agency | Agence du revenu du Canada

JUL 13 2011

REGISTERED MAIL

M & RM Training Centre & Workshop Toronto
530-665 Kennedy Road
Toronto ON M1K 5E2

BN: 89022 1260RR0001

Attention: Michael Mallay

File #:0711713

Subject: **Notice of Intention to Revoke**
M & RM Training Centre & Workshop Toronto

Dear Mr. Mallay:

I am writing further to our letter dated November 30, 2010 (copy enclosed), in which you were invited to submit representations as to why the registration of M & RM Training Centre & Workshop Toronto (the Organization) should not be revoked in accordance with subsection 168(1) of the *Income Tax Act*.

We have now reviewed and considered your written response dated December 17, 2010. However, notwithstanding your reply, our concerns with respect to the Organization's books and records, official donation receipts, and charitable purposes and activities have not been alleviated. Our position is fully described in Appendix "A" attached.

Conclusion:

The Canada Revenue Agency's (CRA) audit has revealed that the M & RM Training Centre & Workshop Toronto (the Organization) was not complying with the requirements set out in the *Income Tax Act*. In particular, it was found that the Organization did not keep adequate books and records to support its reported revenue and expenditures, or to support its charitable activities. For each of these reasons and other concerns identified during the course of the audit, it is the CRA's view that the Organization no longer meets the requirements necessary for charitable registration.

Consequently, for each of the reasons mentioned in our letter dated November 30, 2010, 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)(b), 168(1)(d) and 168(1)(e) of the Income Tax Act, *that I propose to revoke the registration of the organization listed below and that the revocation of registration is effective on the date of publication of this notice.*

Business Number	**Name**
890221260RR0001	M & RM Training Centre & Workshop Toronto Toronto, ON

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

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

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 CRA 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 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 will be required to pay a tax within one year from the date of the Notice of Intention to Revoke. This revocation tax is calculated on prescribed form T-2046, *Tax Return Where*

Registration of a Charity is Revoked (the Return). The Return must be filed, and the tax paid, on or before the day that is one year from the date of the Notice of Intention to Revoke. A copy of the relevant provisions of the Act concerning revocation of registration, the tax applicable to revoked charities, and appeals against revocation, can be found in Appendix "A", attached. Form T-2046 and the related Guide RC-4424, *Completing the Tax Return Where Registration of a Charity is Revoked*, are available on our website at www.cra-arc.gc.ca/charities;

c) the Organization will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act* (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).

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 November 30, 2010
- Your letter dated December 17, 2010
- Appendix "A", Response to representation
- Appendix "B", Relevant provisions of the Act

c.c.: Karan Zomorodi

CANADA REVENUE AGENCY | AGENCE DU REVENU DU CANADA

REGISTERED MAIL

M & RM Training Centre & Workshop Toronto
c/o Michael & Rosemarie Mallay
530-665 Kennedy Road
Scarborough, ON M1K 5E2

BN: 890221260RR0001

File #: 0711713

November 30, 2010

Subject: **Audit of M & RM Training Centre & Workshop Toronto**

Dear Mr. Mallay:

This letter is further to the audit of the books and records of the M & RM Training Centre & Workshop Toronto (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	Regulation 3501, 168(1)(d)
3.	Charitable Purposes & Activities	149.1(1), 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. Registered charities must comply with the law, failing which the Organization's registered status may be revoked in the manner described in section 168 of the Act.

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

Identified Areas of Non-Compliance:

1. Books & Records:

Legislation:

Pursuant to subsection 230(2) of the Act, every registered charity must 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 revocation of its registration under the *Act* (b) a duplicate of each receipt containing prescribed information for a donation received by it, and (c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under the Act.

Audit Findings:

In the course of the audit, the following deficiencies were noted:

- No records or summaries were provided to support the calculation of the amounts reported on the T3010 returns and the financial statements.

- Handwritten totals on pieces of paper were the only documentation provided to account for the money purportedly spent on charitable programs.

- The Organization reported issuing donation receipts for the following amounts:

Total Donation Receipts for 2007	$48,600
Total Donation Receipts for 2008	$52,000

  The three donation receipts issued for the 2008 year had totalled $46,200 while the Organization reported tax-receipted revenue to be $52,000.

- The accuracy of the amounts recorded on the donation receipts issued could not be verified. Although records from the individual donors were provided (the weekly envelopes where donations were made through) that purported to show cash donations made, there was no evidence to support that the Organization had received any of these funds and the amounts could not be verified through bank deposits. Also, the individual envelopes per donor did not match the summaries per donor provided by the Organization.

- The documentation provided to support the reported expenditures of $49,230 in 2008 and $48,200 in 2007 was minimal and what was supplied was considered to be inadequate as noted above.

Conclusion:

Based upon our review, it is our position that the Organization failed to maintain adequate books and records as required under subsection 230(2) of the Act.

Given the above, the Minister may revoke the registration of the Organization, because it has failed to comply with or contravened any section of 230 to 230.5 as described at paragraph 168(1)(e) of the Act.

2. 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 did not comply with the requirements of Regulation 3501 of the Act and IT-110R3 as follows:

- The donation receipts had the following deficiencies:
  - Does not contain the statement *official donation receipt for income tax purposes*
  - The address on the donation receipts is not the address as recorded with the CRA
  - Does not have a unique serial number

- The audit also revealed:
  - There appears to be a lack of control over the donation receipts, as evidenced by the numerous missing receipts
  - Donation receipts are not issued in a reasonable serial manner
  - The Organization does not retain a duplicate copy of each official donation receipts it has issued
  - There is no log system that accounts for all donation receipts issued
  - The computer system could not be verified as safeguarded or controlled only by the appropriate individuals

Conclusion:
The audit revealed the official donation receipts issued by the Organization did not meet the requirements as set out in Regulation 3501 of the Act. In addition, the controls to account for and safeguard the donation receipts were found to be lacking.

Based upon the above, the Minister may revoke the registration of the Organization, because it issued a receipt for a gift or donation otherwise than in accordance with the Act as described at paragraph 168(1)(d) of the Act.

3. Charitable Purposes and Activities

Legislation:
The Organization is registered as a charitable organization. In order to satisfy the definition of a "charitable organization" pursuant to subsection 149.1(1) of the Act, "charitable organization" means an organization.... "All the resources of which are devoted to charitable activities".

To qualify for registration as a charity under the Act, an organization must be established for charitable purposes that oblige it to devote all its resources to its own charitable activities. This is a two-part test. First, the purposes it pursues must be wholly charitable and second, the activities that a charity undertakes on a day-to-day basis must support its charitable purposes in a manner consistent with charitable law. Charitable purposes are not defined in the Act and it is therefore necessary to refer, in this respect, to the principles of the common law governing charity. An organization that has one or more non-charitable purposes or devotes resources to activities undertaken in support of non-charitable purposes cannot be registered as a charity.

Audit Findings:
As indicated above, registered charities are required to pursue activities in furtherance of the purposes for which they are established.

The Organization was registered:

1) "To provide a place for teaching the handicapped life skills and academics, To construct, acquire or rent a property for the execution of the programme as mentioned in paragraph 1,
2) To perform services relevant to the needs of the handicapped,
3) To invest and re-invest funds of the corporation (not immediately required) in investments authorized by law for the investment of Trust Funds,
4) For the objects aforesaid, to engage in all branches of the publication business and to print, publish and generally deal in Newspaper, Periodicals, Magazines and Books of every kind and description,

5) Providing however, that it shall not be lawful for the Corporation indirectly or directly to transact or Undertake any business within the meaning of the loan and Trust Corporation Act,
6) To engage in all means of Broadcast and other means of Communication pursuant to the promotion of the Objects aforesaid,
7) To accept donations, gifts, legacies, bequests and Grants that may be available" on March 26, 1985.

The Organization did not provide proof of the activities purportedly undertaken to fulfill its objects. There was no documentation to support any of the expenditures reported on the information returns and no explanation was provided as to what the Organization does on a day-to-day operation.

Conclusion:

Based on the lack of documentation and tangible evidence, it does not appear the Organization has operated within the charitable mandate and thereby, the Minister may revoke the registration of the Organization, because it has failed as described at paragraph 168(1)(b) of the Act to comply with the requirements of the Act for its registration as such.

The Organization's Options:

a) No Response

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

b) Response

Should you choose to respond, please provide your written representations and any additional information regarding the findings outlined above **within 30 days** from the date of this letter. After considering the representations submitted by the Organization, the Director General of the Charities Directorate will decide on the appropriate course of action, which may include:

- no compliance action necessary;
- the issuance of an educational letter;
- resolving these issues through the implementation of a Compliance Agreement; or

- giving notice of its intention to revoke the registration of the Organization by issuing a Notice of Intention in the manner described in subsection 168(1) of the Act.

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

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

Yours sincerely,

Michelle Bolta
Audit Division
Kitchener/Waterloo TSO

Telephone: 519-896-3655
Facsimile: 519-585-2803
Address: 166 Frederick St., Kitchener, ON N2G 4N1

cc: Karan Zomorodi

APPENDIX "A"

Below please find:

(1) a summary of the issues raised by the Canada Revenue Agency (CRA) in our letter dated November 30, 2010;
(2) the response provided by the M & RM Training Centre & Workshop Toronto (the Organization) in its representations dated December 17, 2010; and
(3) the CRA's conclusion.

Issue: Books and Records:

The audit revealed that the Organization's books and records did not meet the requirements of subsection 230(2) of the *Income Tax Act*.

In the course of the audit, the following deficiencies were noted:

- No records/summaries were provided to support the amounts reported on the original T3010 returns and financial statements.

- Handwritten totals on pieces of paper were provided to substantiate the funds spent overseas.

- The Organization's T3010 information returns reported issuing donation receipts for the following amounts:

Total Donation Receipts for 2007	$48,600
Total Donation Receipts for 2008	$52,000

The three donation receipts issued in 2007 and 2008 totalled $46,200 while the Organization reported that tax-receipted revenue amounted to $100,600 for both years.

The accuracy of the amounts recorded on the receipts issued could not be verified. Although records for the individual donors were provided (the weekly envelopes where donations were made through), there was no evidence to support that the Organization had received any of these funds and the amounts could not be verified through bank deposits.

The Organization stated that almost all of the donations were received in cash and that this cash was kept at the residence of the reverend and taken to countries that needed the funds.

Also, the individual envelopes per donor did not match the summaries per donor provided by the Organization.

The Organization was requested to attest to the completeness of the donation receipts it had issued by signing and submitting a document attesting that the only donation receipts issued by the Organization were those provided during the audit. The signed copy was not returned to the auditor.

- The documentation provided to support the reported expenditures of $49,230 in 2008 and $48,200 in 2007 was insufficient and considered to be inadequate as noted above.

Organization's Response:

The Organization stated that its financial statements were prepared by the pastor and small misplacements of figures were explained on the draft income statement provided to the auditor. The figures were filed in the incorrect areas on the information return.

The Organization explained that the funds sent overseas were supported by the handwritten records with the names of people who transported the amounts and the names of the countries where the money was taken to. Receipts for plane tickets, dates of flights and the reason for the missions were explained and written down properly.

The Organization explained that it used a system of providing membership numbers at the end of the year for numbering its donation receipts. The Organization stated that the auditor understood this and that the Organization would follow the auditor's advice concerning the use of sequential numbering for future donation receipts.

In addition, the Organization moved twice in the past two years whereby many receipts and envelopes were overlooked which have now been located. This would explain the reason why the donation receipts did not add up.

The Organization stated it had received most of its donations in cash and spent or transferred these funds without the use of bank accounts. The Organization stated it will follow the auditor's advice pertaining to future deposits and withdrawals of all funds to the bank accounts.

Conclusion:

The audit revealed that the Organization lacked proper accounting records to enable the determination of both its financial position and the charitable activities

being carried on. The books and records were either non-existent or completely inadequate.

The Organization stated that the records they have located will explain the discrepancies in reported revenue. In addition, the Organization re-stated that the information provided during the audit was adequate to support their reported overseas programs.

While the Organization stated it has now located these missing records, no additional information was provided with the representation.

The Organization stated during the audit and in response to the AFL that it had taken funds overseas to countries that needed the money. However, the Organization did not report it had engaged in programs outside of Canada nor did it report any amount at Line 5400.

It was noted that during the audit that the Organization was permitted an extension at the onset of the audit to gather all its books and records for the review. In a subsequent meeting of February 2, 2010, the auditor was informed there were some missing records and that these would be provided. During the ten months from February 2010 to November 2010, the auditor contacted the Organization on multiple occasions about the missing records but was provided nothing further resulting in the issuing of the Administrative Fairness Letter dated November 30, 2010.

Given the above, it is still our position that the Organization did not maintain adequate books and records.

Subsection 230(2) of the *Act* states, "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;
(b) a duplicate of each receipt containing prescribed information for a donation received by it; and
(c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act."

Under subsection 149.1(2) of the Act, the Minister may revoke the registration of the registered charity in the manner as described at paragraph 168(1)(e) of the Act because the registered charity has failed to comply with or contravenes any of sections 230 to 231.5 of the Act.

Issue: Official Donation Receipts

As previously noted, the Organization did not provide any documentation to support the amounts for which any of the donation receipts were issued in 2007 and 2008, whether made by cash or by gifts in kind.

The donation receipts issued by the Organization did not comply with the requirements of Regulation 3501 of the Act and IT-110R3 as they did not contain the statement "*official donation for income tax purposes*", did not contain the address in Canada as registered with the Minister, and did not have a unique serial number. In addition, the Organization did not keep a duplicate of each official donation receipt issued.

There appeared to be a lack of control over the donation receipts, as evidenced by the numerous missing receipts and there was no log system that accounted for all issued receipts. In addition, the auditor was unable to verify that the computer system was safeguarded or controlled by the appropriate individuals.

Organization's Response:

The Organization stated that they were unable to recover all their donation receipts and envelopes in the time given by the auditor. As noted above, the Organization moved twice in the past two years whereby many receipts and envelopes were overlooked which have now been located.

With respect to the deficiencies noted during the period under audit, the Organization stated the following:

- Its address was updated for the past two years during their annual filing but was not updated by the CRA;
- Member numbers were used instead of serial numbers on the donation receipts;
- Some donation receipts were printed for subsequent years;
- Copies of donation receipts were kept manually but the Organization was not afforded sufficient time to provide the copies during the audit; and
- The pastor was the only individual who has a laptop that issued donation receipts.

Conclusion:

As previously noted, the Organization had over ten months from the start of the audit to provide the records that were missing during the initial interview which it stated it now has, but, no additional information was sent with the representation. Subsection 230(2) of the *Act* states; "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;
(b) a duplicate of each receipt containing prescribed information for a donation received by it; and
(c) other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act."

Under subsection 149.1(2) of the Act, the Minister may revoke the registration of the registered charity in the manner as described at paragraph 168(1)(d) of the Act because the registered charity has issued a receipt for a gift or donation otherwise than in accordance with the Act and the regulations or that contains false information.

Issue: Charitable Purposes and Activities

The Organization did not provide proof of the activities purportedly undertaken to fulfill its objects. There was no documentation to support any of the expenditures reported on the information returns and no explanation was provided as to what the Organization does on a day-to-day operation.

Organization's Response:

The Organization stated the following: "*all of our employees and most of our spending are overseas in countries that are part of their church and training centre and not separate missions, with who we have agreements, members and directors, and missions which are all organized and watched by the president and other directors regularly.*"

Local activities are comprised of weekly Christian church programs held on Fridays and Sundays. The Organization also has missions and helps other churches.

Conclusion:

As noted previously, the Organization made representation that funds were taken overseas to countries that needed the money. However, the Organization did not report it had engaged in programs outside of Canada nor did it report any amount at Line 5400.

The response appears to indicate that the foreign programs that the Organization undertook were by way of agreements with member organizations that were supervised by the Organization's president and other board members.

The audit revealed a lack of supporting documentation to substantiate these purported activities and, as such, to ensure that the Organization retained direction and control over any resources committed to these activities.

The Organization did not maintain adequate books and records as described in subsection 230(2) of the Act. This lack of records extended to include what would be considered to be foreign activities said to have been carried on outside of Canada.

Under subsection 149.1(2) of the Act, the Minister may revoke the registration of the registered charity in the manner as described at paragraph 168(1)(b) of the Act because the registered charity has failed to comply with the requirements of the Act for its registration as such.

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.