



REGISTERED MAIL

Millenia Hope Foundation
[Redacted]

BN: 89447 6795

Attention: Yehuda Kops

File #: 3002408

January 14, 2013

**Subject: Revocation of Registration
 Millenia Hope Foundation**

Dear Sir:

The purpose of this letter is to inform you that a notice revoking the registration of Millenia Hope Foundation (the Organization) was published in the *Canada Gazette* on January 12, 2013. Effective on that date, the Organization ceased to be a registered charity.

Consequences of Revocation:

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

Section 188(2) of the Act stipulates that a person (other than a qualified donee) who receives an amount from the Organization is jointly and severally

liable with the Organization for the tax payable under section 188 of the Act by the Organization.

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

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

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

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

Yours sincerely,



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

Enclosures

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



Canada Revenue
Agency

Agence du revenu
du Canada

JUL 06 2012

REGISTERED MAIL

Millenia Hope Foundation
500 St Martin W, Suite 550
Laval QC H7M 3Y2

BN: 894476795RR0001

Attention: Yehuda Kops

File #: 3002408

**Subject: Notice of Intention to Revoke
Millenia Hope Foundation**

Dear Mr. Kops:

I am writing further to our letter dated July 13, 2011 (copy enclosed), in which you were invited to submit representations as to why the registration of Millenia Hope Foundation (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 September 16, 2011 (copy enclosed). However, notwithstanding your reply, our concerns with respect to the Organization's failure to devote all of its resources to its charitable purposes, failure to maintain and to provide adequate books and records, failure to issue donation receipts in accordance with the Act and its failure to file an information return as and when required by the Act, have not been alleviated. The basis for our concerns is explained below.

Failure to Devote Resources to Charitable Activities

The audit conducted by the Canada Revenue Agency (CRA) identified that the Organization, based on its activities and the level of financial activity and resources devoted, was not devoting its resources to charitable purposes. Firstly, the Organization does not gift to qualified donees nor does it conduct its own charitable activities. In our view, the Organization is primarily or collaterally operating for the purpose of supporting, participating and financing non-qualified donees. Per our previous letter, the Organization has adopted new objects without the CRA's authorization and has purportedly carried on activities in furtherance of these objects since 2002.

Your representations state that the expenses paid by the Organization were related to its research and development of solutions for potable water problems; however, your submission failed to contain any detailed information such as invoices or work in progress reports to support this assertion. Also, the Organization was unable to provide any report or results on the efficiency of the prototype it has purportedly been using since the beginning of the project in 2002. In fact, the Organization submitted an

Canada

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

agreement between itself and a for-profit corporation wherein the Organization agrees to purchase "the knowhow and intellectual property to the water purification portion of [a water purification/oxygenation unit]" in 2008. The Organization represents that the agreement "sets out the work to be done by [the for-profit corporation]" and that it "shows the specific charitable project belongs fully to [the Organization]." It is our position the agreement is solely a sales agreement between the two parties and does not outline the work the for-profit corporation is to undertake or retro-actively was to undertake on the Organization's behalf. Finally, the Organization was unable to ascertain that it retained direction and control over the use of its resources when it contracted with an entity to conduct research on its behalf. In conclusion, the Organization was unable to provide any concrete results of the research and development or the benefit related to the exploitation of the aforementioned technology and we have deemed the payments made to corporations and individuals to be gifts made to non-qualified donees.

Other Areas of Non-Compliance

The CRA's audit has concluded that the Organization has failed to: maintain adequate books and records; issue official donation receipts in accordance with the Act; and file a T3010 *Registered Charity Information Return* as and when required. Your representations concur with our CRA's audit findings in each of these areas.

The Organization acknowledges that some of its records are missing and of the records provided in its September 16, 2011, response, we continue to be of the position the records are insufficient to demonstrate the work purportedly performed by the subcontractor, the detailed fees paid to the noted individuals as well as the other expenditures reported on the Organization's information return.

We acknowledge receipt of your March 31, 2010, and 2011, T3010 on January 18, 2012; however, we remain of the position the Organization has failed to file an information return as and when required by the Act.

Conclusion:

The Canada Revenue Agency's (CRA) audit has revealed that the Organization was not complying with the requirements set out in the *Income Tax Act*. In particular, it was found that the Organization was primarily or collaterally operating for the purpose of supporting, participating and financing non-qualified donees. In addition, the Organization did not devote all its resources to charitable purposes and activities, and failed to maintain proper keep adequate books and records. For each of these reasons and other concerns identified during the course of the audit, it is the CRA's position that the Organization no longer meets the requirement necessary for charitable registration.

Consequently, for each of the reasons mentioned in our letter dated July 13, 2011, I wish to advise you that, pursuant to subsection 168(1) and 149.1(4) 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), and subsection 149.1(4) 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
894476795RR0001

Name
Millenia Hope Foundation
Laval QC

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

Consequences of Revocation

As of the effective date of revocation:

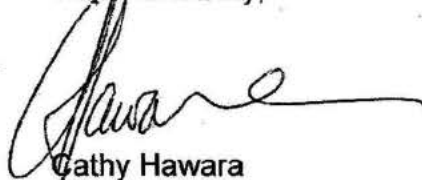
- a) the Organization will no longer be exempt from Part I Tax as a registered charity and **will no longer be permitted to issue official donation receipts**. This means that gifts made to the Organization would not be allowable as tax credits to individual donors or as allowable deductions to corporate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

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 July 13, 2011;
- Organization's representations dated September 16, 2011 (without attachments); and
- Appendix "A", Relevant provisions of the Act

c.c.: Ms. Francesca Albano





CANADA REVENUE
AGENCY

AGENCE DU REVENU
DU CANADA

REGISTERED MAIL

Ms. Francesca Albano

BN: 894476795RR0001

File #: 3002408

July 13, 2011

Subject: Audit of Millenia Hope Foundation

Dear Ms. Albano:

This letter is further to the audit of the books and records of the Millenia Hope Foundation (the Organization) conducted by the Canada Revenue Agency (the CRA). The audit related to the operations of the Organization for the period from April 1st, 2009 to March 31st, 2010. We also considered some information about the Organization's activities for the period 2002 to 2007.

At our meeting of November 22nd, 2010, Mr. Yehuda Kops was advised that the CRA has identified specific areas of non-compliance with the provisions of the *Income Tax Act* and/or its *Regulations* in the following areas:

AREAS OF NON-COMPLIANCE:		
	Issue	Reference
1.	Failure to Devote Resources to Charitable Activities	149.1(1), 149.1(4), 168(1)(b)
2.	Inadequate books and records	230(2)(a), 230(4) 168(1)(e)
3.	Issuing Receipts Not in Accordance with the Act	Regulation 3501, 168(1)(d)
4.	Failure to File an Information Return as Required by the Act	149.1(14), 168(1)(c)

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. Failure to Devote Resources to Charitable Activities:

The Organization is registered as a private foundation. In order to satisfy the definition of a "charitable foundation" pursuant to subsection 149.1(1) of the Act, "charitable foundation" means a corporation or trust, "... operated exclusively for charitable purposes".

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.

a) Non-Charitable Purpose

The Organization was registered as a Private Foundation on April 1st, 1999. At the time of registration, the By-laws of the Organization revealed that the objects were:

To relieve distress and promote the well being of the aboriginal community with services:

- 1) To obtain funds for the purpose of gifting charitable organizations qualified in administering the development of shelter solutions; the object being to alleviate the shortage of housing faced by the poorer segments of Canada's northern aboriginal community;

- 2) To obtain funds for the purpose of gifting charitable organizations qualified in administering the development of remote domestic energy solutions; the object being to ease the high cost of heat and power sources faced by the poorer segments of Canada's northern aboriginal community;
- 3) To obtain funds for the purchase of primary search and rescue equipment and training programs, all such material to be given to, and administered by, the appropriate northern municipal authorities; and,
- 4) To obtain funds for the purpose of gifting training organizations which are registered charities and are designed to benefit northern aboriginal people in economic despair.

The objects and activities of the Organization appear to have changed since its inception in 1999. On April 9th, 2001, the Organization amended its By-laws without first obtaining the authorization of the Charities Directorate. We obtained a copy of the amended By-laws in April 2006, during the first part of the current audit.

The By-laws of the Organization reveal that the objects are currently:

- 1) To conduct and execute research and development of solutions for potable water problems;
- 2) To conduct and execute water treatment in order to distribute potable water;
- 3) To conduct and execute research and development in relation with plant medicines in order to find new natural medicines made from plants;
- 4) To create and elaborate a "on line" Medical Record system for virtual prognosis and diagnosis.

In accordance with guidance CPS – 029, *Research as a Charitable Activity*:

To be considered charitable at common law, the research that a charity conducts or funds as a charitable activity must:

- a. be a way to achieve or further the charity's charitable purpose;
- b. be based on a research subject that has educational value and a research proposal that is capable of being attained through research;
- c. be undertaken in such a way that it might reasonably lead to the discovery or improvement of knowledge;
- d. be conducted primarily for the public benefit and not for self-interest or private commercial consumption; and
- e. be disseminated and made publicly available to others who might want to access the information.

Fund - The *Income Tax Act* permits a registered charity to carry out its charitable purposes in only two ways. It can make a gift to other organizations that are on the list of qualified donees as set out in the Act or it can carry on its own charitable activities, which implies that the charity is an active and controlling participant in a program or project that directly achieves a charitable purpose. This is known as the "own activities" test.

In light of this, when the term "fund" is used in this guidance, it is restricted to those instances where an organization either makes a gift to a qualified donee or meets the "own activities" test by, for example, contracting with a research entity to conduct research on its behalf, thereby ensuring that it retains direction and control over the use of its resources.

Although, the objects in the amended By-laws appear to be charitable, the audit revealed that the Organization is pursuing a non-charitable purpose. Firstly, the Organization does not give any funds to qualified donees. Secondly, the Organization does not conduct its own charitable activities because it is not an active and controlling participant in a program or project that directly achieves a charitable purpose. In our view, the Organization is primarily or collaterally operating for the purpose of supporting, participating and financing non-qualified donees. The representative of the Organization stated that the expenditures paid by the Organization are related to research and development of solutions for potable water problems. But the Organization was unable to provide any detailed information about contracts, ownership, invoices or work in progress. Also, the Organization was not able to ascertain that it retained direction and control over the use of its resources when it contracted with an entity to conduct research on its behalf.

According to the information provided by the Organization's representative, the Organization's activities have been the same since 2002. Nevertheless, the Organization was unable to provide any concrete results of the research and development, the beneficiary or agreement and ownership related to the exploitation of the technology.

The Organization reported on its 2009 information return: "We are involved in a water treatment process for rural communities with unhealthy water services. At the end of this fiscal year we raised some funds and were able to resume our research on this project". Nevertheless, in reference to line 5010 (Total expenditures on management and administration) of the 2009 information return, we note that all the expenditures were allocated as management and administrative fees; thus, no amount had been spent for charitable programs. The Organization also reported on its 2009 information return a loan receivable of \$29 000 from Global Biotech. We are of the opinion that this is not a loan receivable. Mr. Kops told us that this amount was paid for the development of the product related to research and development of solutions for potable water problems. But the Organization was unable to provide detailed information, contracts,

documentation or invoices related to the payments and to the work in progress. Also, the Organization did not acquire any asset.

During the first part of the audit, for the years ending 2002 to 2006, the Organization submitted invoices from two companies acting as sub-contractors. Although, these invoices were with regard to development work related to the objects of the Organization, we have concerns about the validity of these invoices. On March 24th, 2009, we requested information from the Internal Revenue Service (IRS) about these two companies that acted as sub-contractors for the Organization during the period 2002 to 2006.

The IRS provided us with the following information about Liquid Asset Corp.:

"We could not find any record in our database that this corporation ever existed nor has ever filed a US Income Tax Return. We also researched the Accurant database and could not find any information about this entity."

The IRS provided us with the following information about Sword Comp-Soft:

"This company has never filed a US Income Tax Return and it is now inactive. Our field auditor visited the address you provided and found office space and a secretary who is shared by various businesses located here. He inquired about Sword Comp-Soft and was told that no such business has ever operated at that address."

It is our view, based on our audit's results, that the Organization is pursuing a non-charitable purpose. In our view, the Organization is primarily or collaterally operating for the purpose of supporting, participating and financing non-qualified donees.

It is our view, by pursuing this non-charitable purpose, that the Organization has failed to demonstrate that it meets the test for continued registration under 149.1(1) as a charitable foundation "constituted and operated exclusively for charitable purposes". For this reason, it is our position that there are grounds for revocation of the charitable status of the Millenia Hope Foundation under paragraph 168(1)(b) of the Act.

2. Inadequate Books and Records:

Subsection 230(2) of the Act requires every registered charity shall keep records and books of account at an address in Canada recorded with the Minister or designated by the Minister containing

(a) Information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under 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.

Also, the subsection 230(4) of the Act mentions that every person required by this section to keep records and books of account shall retain

(a) the records and books of account referred to in this section in respect of which a period is prescribed, together with every account and voucher necessary to verify the information contained therein, for such period as is prescribed;

The audit revealed that the books and records of the Organization were inadequate for the following reasons:

The Organization was unable to provide detailed information for the years under review. The documents listed below were not available for the audit:

- Minutes of meetings of the directors/trustees/executives/members kept for as long as the charity is registered. During our meeting, on November 22, 2010, Mr. Kops told us that the minutes of meetings don't exist.
- General ledgers or other books of final entry containing summaries of year-to-year transactions and the vouchers and accounts necessary to verify the entries.
- The total funds to be provided by the Organization for each project.
- The projected interim and final completion dates for the research and development of the product.
- Written progress reports and detailed expenditure statements for the product development provided by the subcontractor to the Organization.
- In the 2009 information return, the Organization reported \$7,634 of management and administrative expenditures, which represented 100% of the expenditures incurred by the Organization. This means that no funds were paid for charitable

programs. Furthermore, the Organization was unable to provide any detailed information or invoices related to payments to the following individuals:

- Yehuda Kops, \$2,500
 - Francesca Albano, \$2,400
 - [REDACTED], \$2,500
- The Organization also reported on its 2009 information return a loan receivable of \$29,000 from Global Biotech, which we do not believe is a loan receivable. Mr. Kops told us that this amount was paid for the development of the product related to research and development of solutions for potable water problems. The Organization was unable to provide detailed information, contracts, documentation or invoices related to the payments and to the work in progress.

Based on our audit findings, it is our view that the books and records of the Organization are not in compliance with section 230(2) and 230(4) of the Act. In accordance with subsection 168(1) of the Act, the Minister may, by registered mail, give notice of its intention to revoke the registration of the Organization.

3. Issuing Receipts Not in Accordance with the Act:

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

The audit revealed 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:

- The official donation receipts do not contain a statement that it is an official receipt for income tax purposes;
- The name and Web site address of the Canada Revenue Agency are not written on the official receipts (www.cra.gc.ca/charities).

Under paragraphs 168(1)(d) of the Act, the Minister may, by registered mail, give notice to the registered charity that the Minister proposes to revoke its registration if it issues a receipt otherwise than in accordance with the Act and the Regulations. For this reason alone, there are grounds for revocation of the charitable status of Millenia Hope Foundation under paragraph 168(1)(d) of the Act.

4. Failure to File an Information Return as Required by the Act:

Subsection 149.1(14) of the Act requires that every registered charity shall, within 6 months from the end of each taxation year, file with the Minister an information return in prescribed form and containing prescribed information, without notice or demand therefore.

The Organization did not file its 2010 Information return.

<u>Year ending</u>	<u>Due Date</u>	<u>Date of reception</u>
March, 31 st , 2010	September, 30 th , 2010	N/A

For failure to file an information return and to comply with subsection 149.1(14) of the Act, in accordance with subsection 168(1) of the Act, the Minister may, by registered mail, give notice of its intention to revoke the registration of the Organization.

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

- 9 -

- 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,



Alexandre Comtois
Charities Directorate
Montreal TSO
305, René-Lévesque O.

H2Z 1A6

Telephone: [REDACTED]
Facsimile: (514) 283-8208
Address: 305, René-Lévesque Bld.
Montreal, Qc H2Z 1A6

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.