



Philanthropic Foundations of Canada Conference

Halifax, October 20, 2014



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Background

- Canadian charities are registered and regulated at the federal level by the **Charities Directorate**.
- The Charities Directorate is the part of the **Canada Revenue Agency (CRA)** that is responsible for applying the provisions of the *Income Tax Act* that relate to registered charities.

Agenda

1. The Disbursement Quota: Then and Now
2. Community Economic Development Activities
3. Political Activities
3. Budget 2014: Modernization Project

The Disbursement Quota

Budget 2010

- Introduced changes to the disbursement quota for all registered charities
 - Repealed the charitable expenditure rule (the 80% requirement) for all charities, and
 - Modified the capital accumulation rule (the 3.5% requirement) for charitable organizations.

The Disbursement Quota: Capital Accumulation Rule

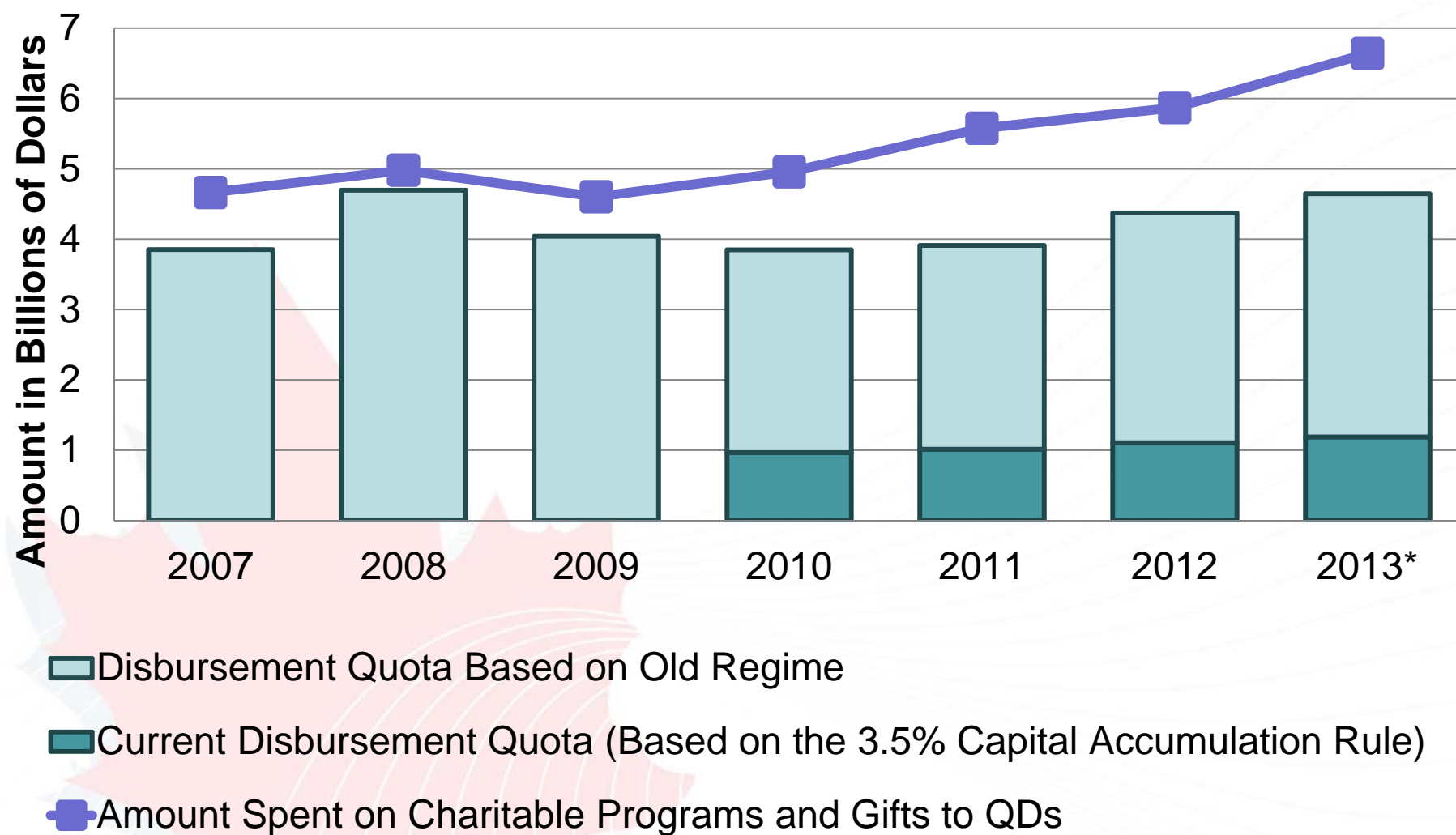
Before the beginning of the fiscal period, was there **property that was not used** in charitable programs or in administration?

If yes, did it **exceed \$25,000**?

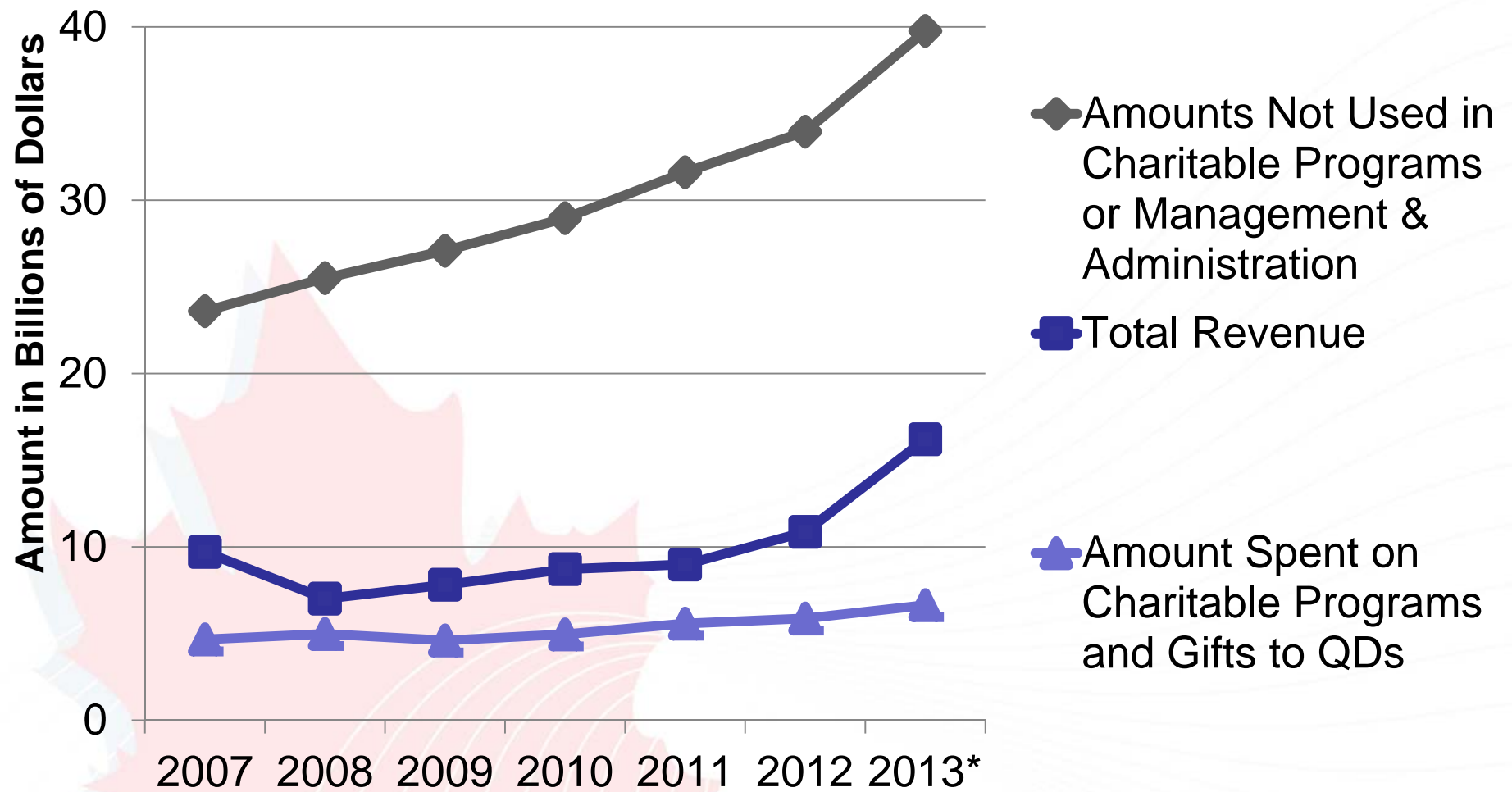
If yes, take the **average** of the amount of that property over the 24 months prior to the beginning of this fiscal period.

Multiply that amount by 3.5%

The Disbursement Quota: Then & Now



Other Observations (foundations only)



The Disbursement Quota: Then & Now



Revenues



Charitable
Expenditures and
Gifts to QDs



Property not used in
Charitable Programs or
Management & Admin

Community Economic Development

Resource

Guidance CG-014, *Community Economic Development Activities and Charitable Registration*, published on July 26, 2012.

2012 Changes in Community Economic Development Activities

Program-related investments are no longer limited to QDs

Removed the “hard-to employ” criteria

Individual development accounts, loans, and loan guarantees are no longer restricted to the relief of poverty

Community Economic Development Activities

Common law does not recognize Community Economic Development (CED) as a charitable purpose in itself.

However, CED activities may be charitable when they directly further a charitable purpose and can include:

- Activities that relieve unemployment
- Employment related training activities
- Individual development accounts, loans, & loan guarantees
- Program-related investments
- Social businesses for individuals with disabilities
- Community land trusts

CED Activities and Charitable Purposes

CG-014 outlines purposes that can be furthered through CED activities

Criticism: Does not include purposes that further the advancement of religion

Reality: CED activities can further advancement of religion purposes, but must meet certain requirements.

Program Related Investments (PRIs)

- A PRI is an activity that directly furthers the investor charity's charitable purposes.
- Common types or forms of PRIs include:
 - loans;
 - loan guarantees;
 - share purchases; or
 - leases of land or buildings.

Requirements for PRIs

All PRIs must directly further a charity's stated charitable purposes.

If made to a non-qualified donee, the investor charity must prove that the arrangement meets the “own activities” requirement of the ITA by:

- maintaining direction and control over the program; and
- showing that any private benefit is incidental.

Unclear definition of market rate of return

Use comparable rates

Record the analysis of each PRI

PRIs and Non-QDs

Below market rates allowed



Private benefit must be necessary,
reasonable, and proportionate.

Social Returns of PRIs

Not recorded as a
charitable
expenditure

Recognized by
excluding the
amount invested
from the DQ
calculation

Promoting Commerce or Industry

It must be for the industry or trade
as a whole

It must
benefit the public

It **must not** be for
the benefit of
particular members
of the industry

Political Activities

**Political activities are allowable
(Budget 1985)**

Political purposes are not

Less than
10% of
resources

Connected and
subordinate to the
charity's charitable
purposes

Non-partisan

Important Change (Budget 2012):

Charities providing funds to a QD to be used in a political activity are now considered as having spent that money on a political activity themselves.

Charities Directorate's Activities

Educating

- New webpages
- Recorded webinars & videos
- Self- assessment tool
- Presentations
- Client services
- Education letters
- Changes to the T3010

Monitoring

- 403 charities screened
- 52 identified for audit
- 30 reminder letters
- 321 no issues

Reporting

- Charities Program Updates

Best Practices

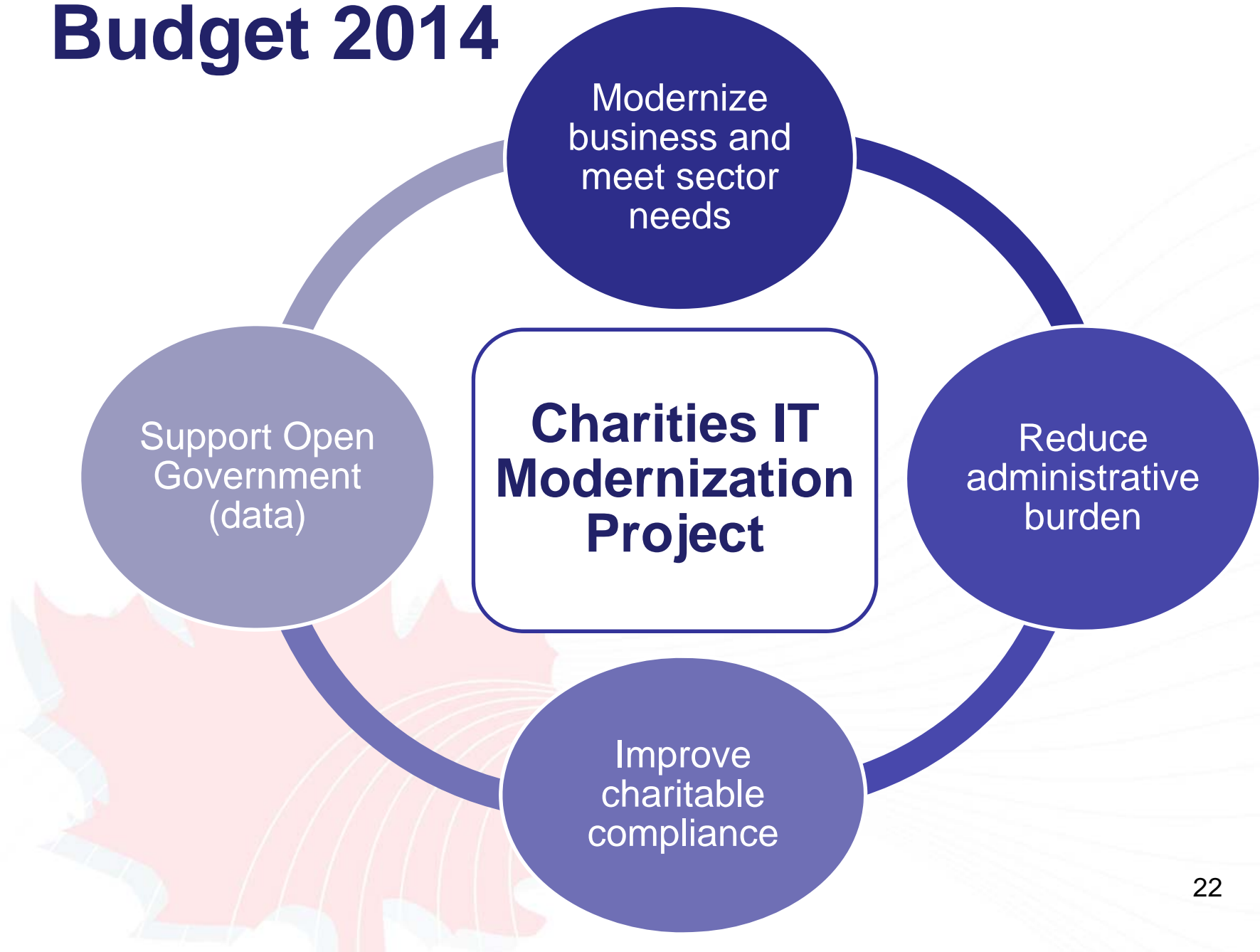
Learn more about Political Activities

- Visit the Charities and Giving website, or
- Contact the Client Service Section

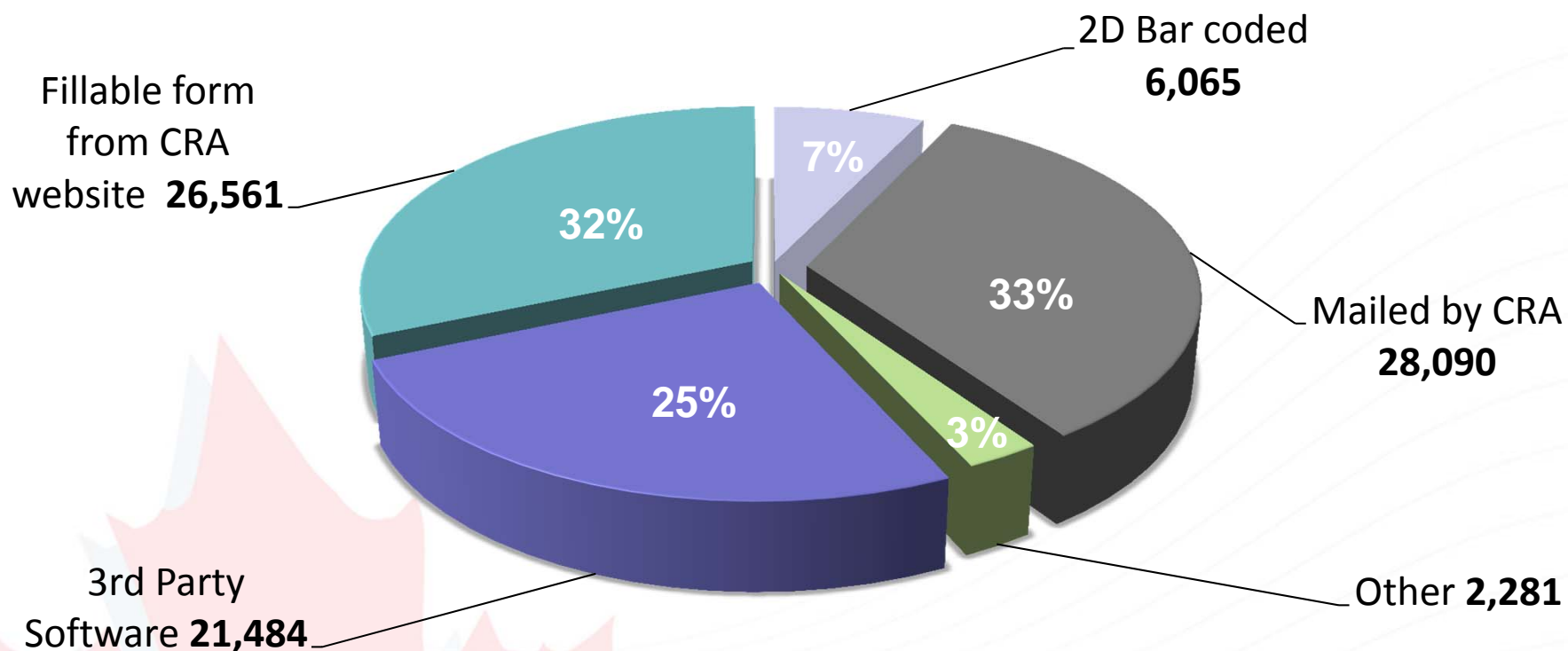
Track Activities

- Adopt a consistent methodology
- Educate your staff
- Use some form of tracking system

Budget 2014



Electronic filing



T3010 electronic completion	
2D Barcoded (3 rd Party Vendor Software)	7%
3 rd Party Vendor Software	25%
CRA Fillable Form (CRA website)	32%
Total	64%

Thank you

Questions?

