



# 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  - Repealed the charitable expenditure rule (the 80% requirement) for all charities, and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

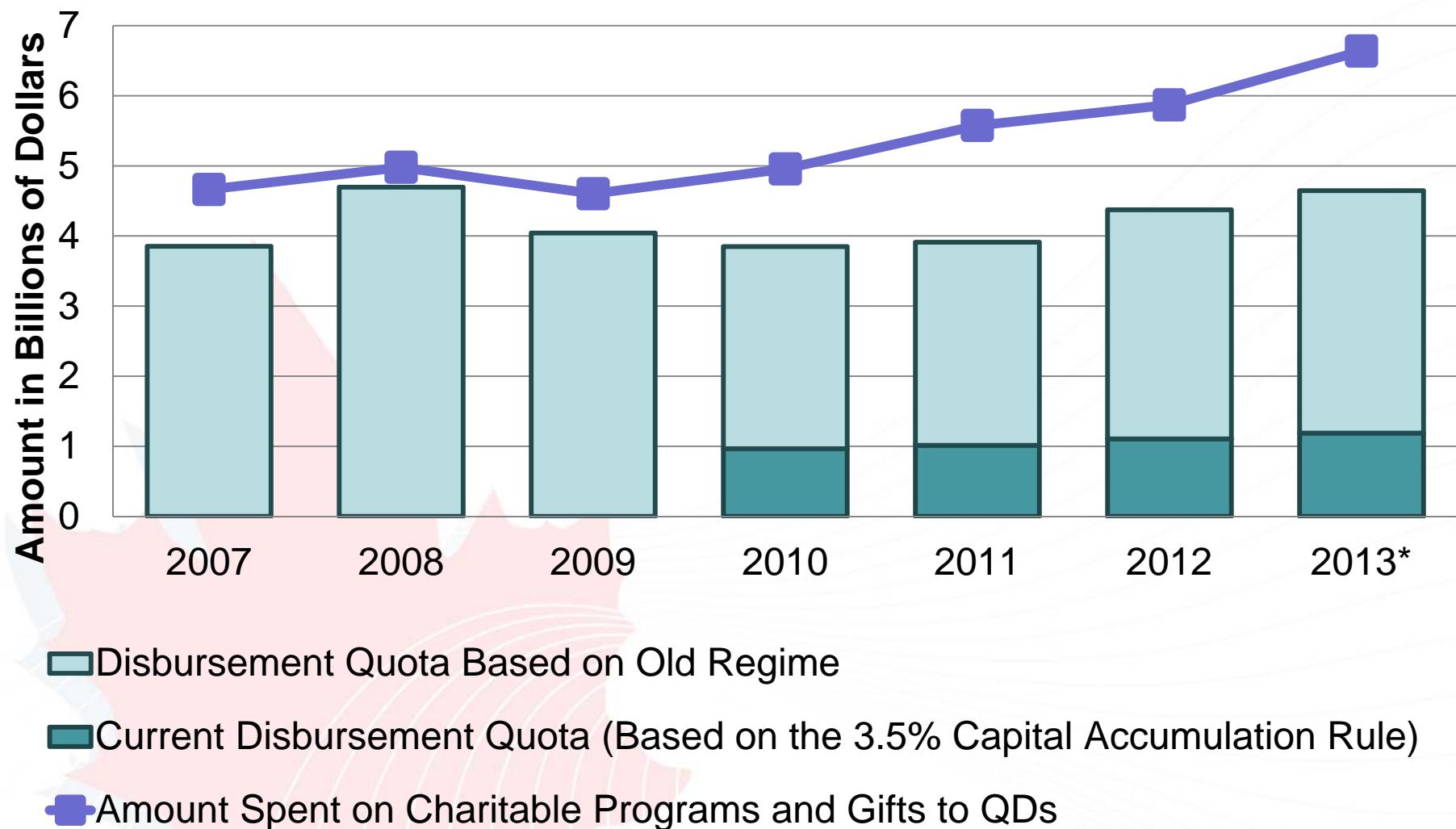
Before the beginning of the fiscal period, was there **property that was not used** in charitable programs or in administration?

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

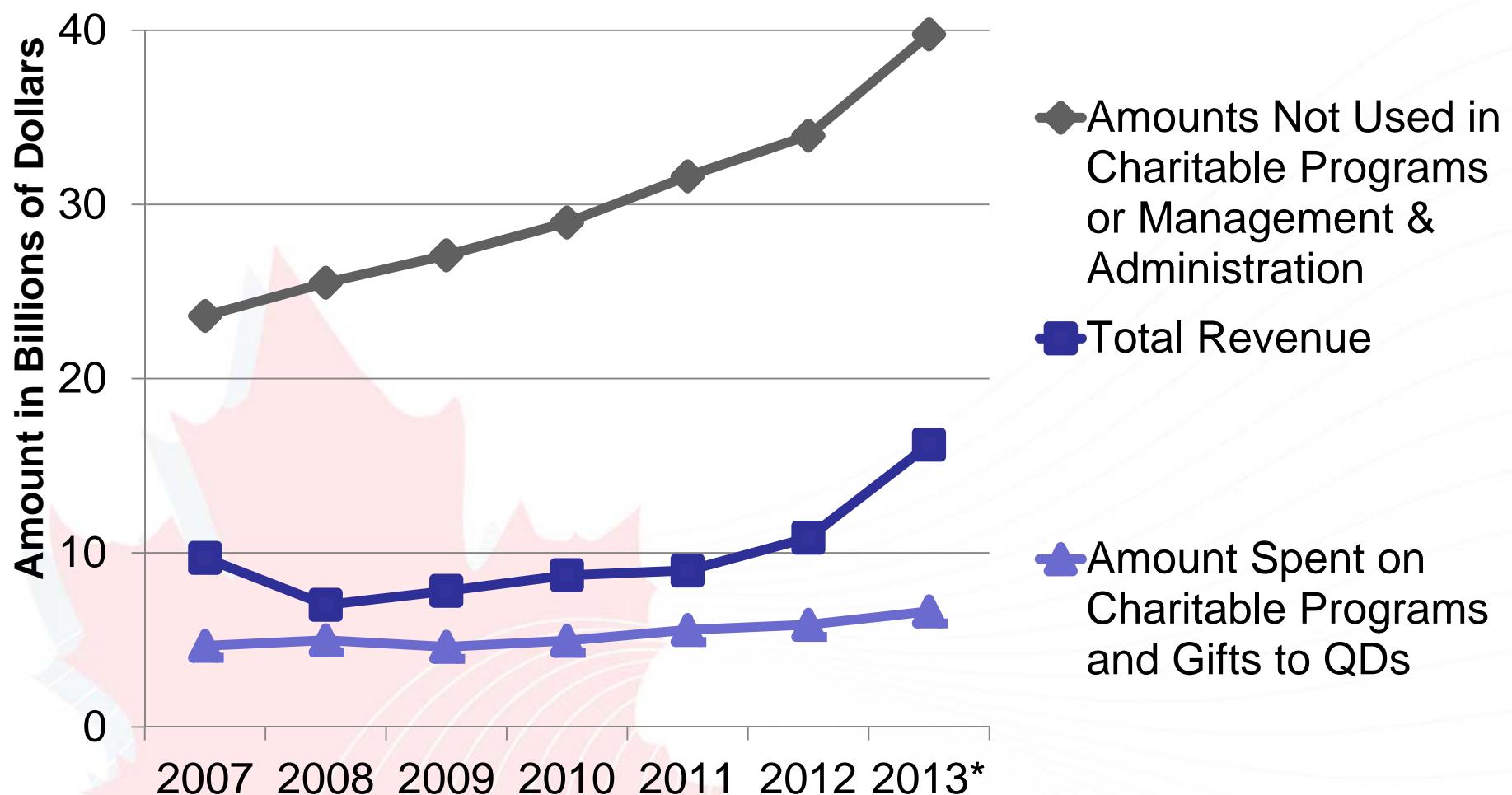
If yes, take the **average** of the amount of that property over the 24 months prior to the beginning of this fiscal period.

**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

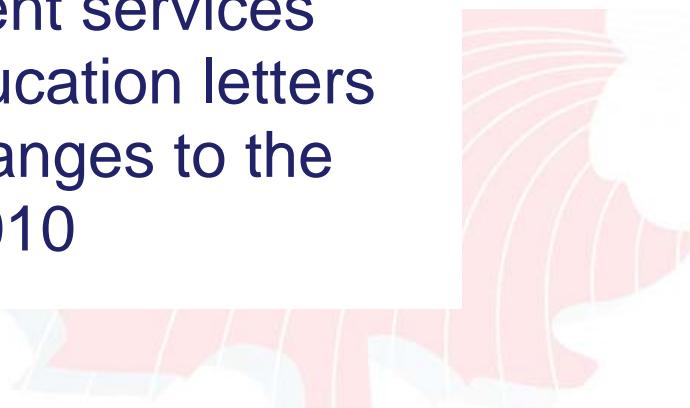
- New webpages
- Recorded webinars & videos
- Self- assessment tool
- Presentations
- Client services
- Education letters
- Changes to the T3010

## Monitoring

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

## Reporting

- Charities Program Updates



# Best Practices

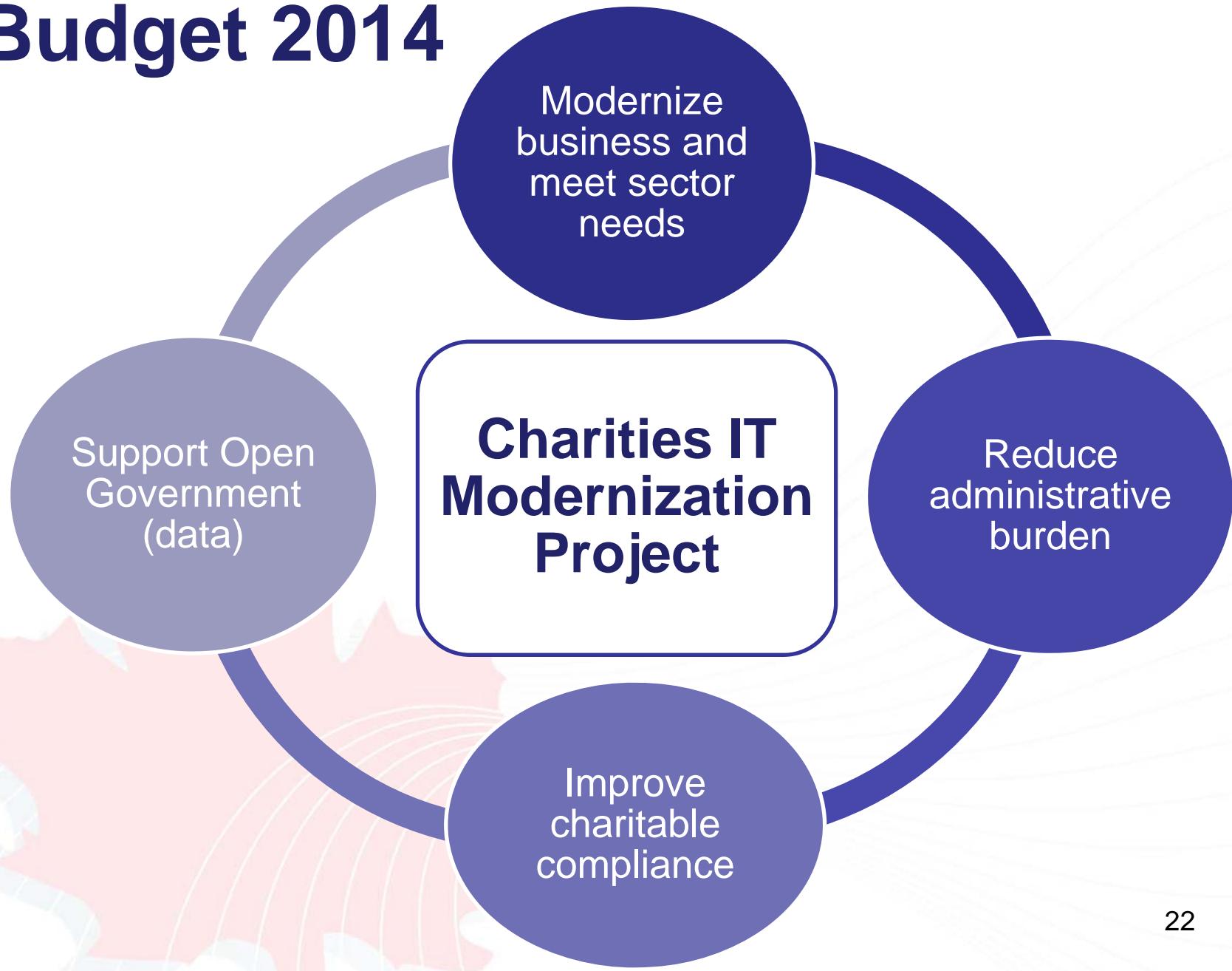
## Learn more about Political Activities

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

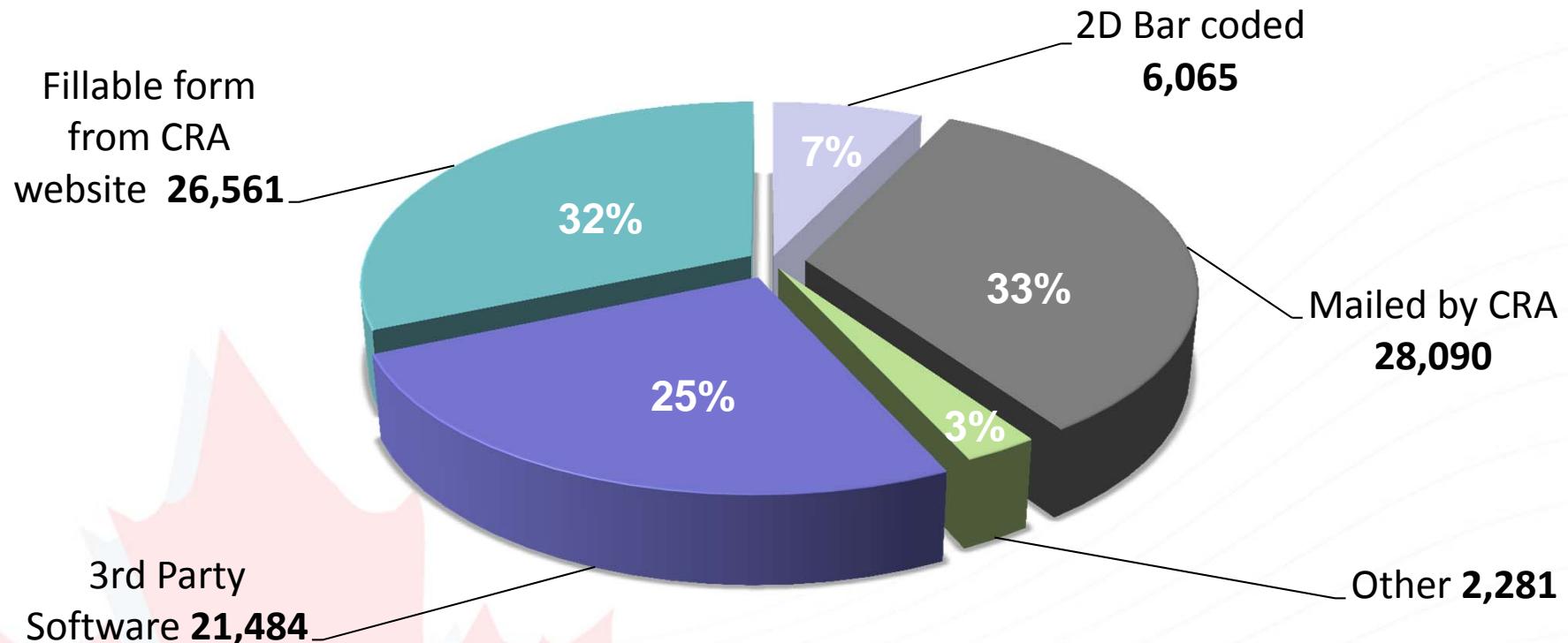
## Track Activities

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

# Budget 2014



# Electronic filing



# Thank you

## Questions?

