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# Report on the Charities Program 2020 to 2021

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## Message from the Minister

It is my pleasure to present the Report on the Charities Program, fiscal year 2020 to 2021, and to share the efforts of the Canada Revenue Agency's (CRA) Charities Directorate between April 1, 2020 and March 31, 2021. This report highlights the directorate's efforts to achieve its mandate by adapting and providing services to the charitable sector and the public during the COVID-19 pandemic.

During difficult times, the value of charities cannot be overstated. The Canadian charitable sector has continued to provide essential services to the most vulnerable in the face of challenges caused by the pandemic. I am proud of the way the directorate rapidly modernized and implemented remote work to ensure the continued support of charities.

To continue building and maintaining public trust in the charities regulator and the charitable sector, as always, the CRA (Canada Revenue Agency) and the directorate remain committed to offering client-centric service guided by empathy and respect.

Thank you for taking the time to read the 2020 to 2021 Report, and for your interest in Canada's charities program.





**The Honourable Diane Lebouthillier, P.C., M.P.**  
**Minister of National Revenue**

## Message from the Commissioner

The CRA (Canada Revenue Agency) administers tax, benefits, and related programs for all taxpayers, including registered charities. The CRA (Canada Revenue Agency)'s Charities Directorate works to protect the integrity of the charitable sector through responsible enforcement, transparency, and accountability while providing fair, empathetic, and client-centric services.

The COVID-19 pandemic has significantly affected the lives of Canadians, and I am proud of how quickly the CRA (Canada Revenue Agency) has launched new programs to provide aid and how its employees have adapted to ensure continued service for Canadians. The directorate has played an important part in rolling out the Canadian Emergency Wage Subsidy and the Canadian Emergency Rent Subsidy to the charitable sector while adapting its entire program to working remotely. I am grateful for the directorate's continued efforts and commitment to providing service to Canadians and protecting the integrity of the charitable sector in the face of adversity.

It is my pleasure to share this report presenting the work of the directorate over the last fiscal year.





**Bob Hamilton**

**Commissioner of the Canada Revenue Agency**

## Message from the Director General

This past year has posed unprecedented challenges for the Charities Directorate, the charitable sector, and all Canadians. We have all had to adapt to a new way of living and working. But what has not changed is our depth of care for each other and our optimism for brighter days to come.

Starting in March 2020, the directorate rapidly transformed its business to ensure continued services for charities, including setting up its employees to work remotely and converting paper-based workloads into an electronic format. It also promptly revived the call centre to offer support to charities, extended the filing deadline for charities to ease their reporting burden during an uncertain time, and took a balanced approach to resuming our compliance programming to limit adding stress to charities while maintaining the integrity of the sector.

During the pandemic, the directorate continued to engage with stakeholders to advance topics relating to charities, such as the Advisory Committee on the Charitable Sector, and to share and better understand the impacts of the pandemic on the directorate and charities, respectively. The directorate also continued to provide resources for charities to



succeed, including publishing new guidance products and other educational tools, and helped the CRA (Canada Revenue Agency) administer two federal financial subsidies that benefit charities.

The directorate remains committed to applying a people-first philosophy to all of its activities and working to support charities through the pandemic. It values the dedication and determination of its employees and the sector to providing essential services to Canadians. I am pleased to share this report featuring our work to support and maintain public trust in the dynamic and resilient Canadian charitable sector.



**Tony Manconi**  
**Director General**  
**Charities Directorate**  
**Canada Revenue Agency**

## Overview

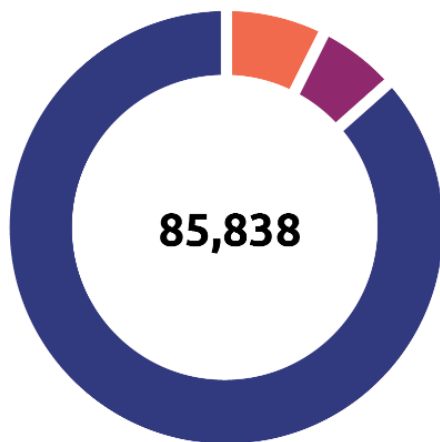
Canada's charitable sector is passionate, diverse, and dynamic, offering essential services in the face of change and challenges. The Charities Directorate recognizes the value of the sector's contributions to Canadian society and aims to support charities while protecting the sector and the public from abuse. The directorate will continue working to contribute to a well-regulated, open, and thriving charitable sector.



This report provides a snapshot of the sector and an update on the directorate's activities over the past fiscal year, including the impact of the COVID-19 pandemic.

# The charitable sector by the numbers

The number of registered charities by designation comes from the directorate's administrative data for 2020. The remaining figures come from Form T3010, Registered Charity Information Returns filed by registered charities for the 2019 calendar year. Please note that the latter information is self-reported.



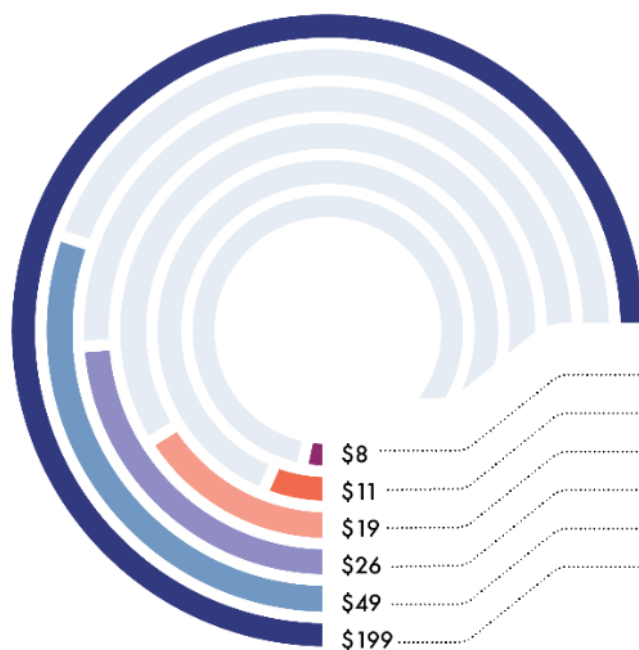
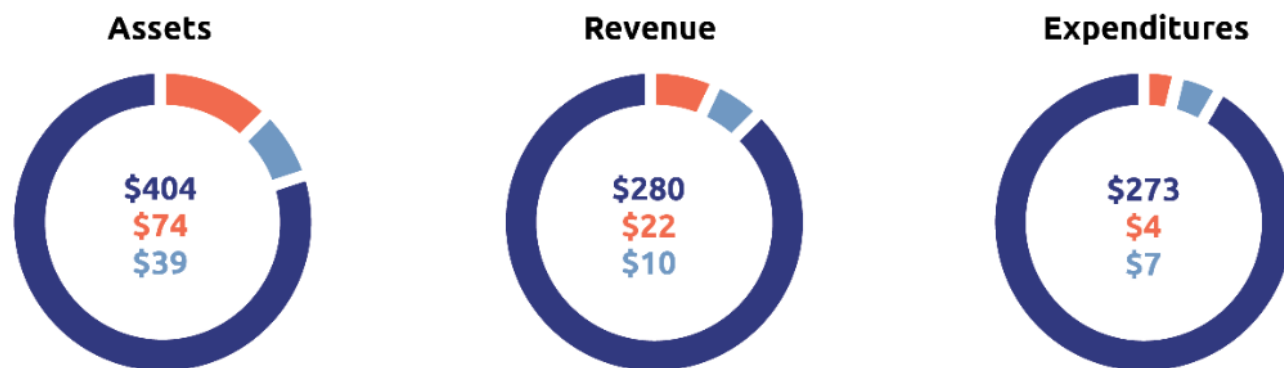
## Registered charities by designation

- **74,756** charitable organizations
- **6,118** private foundations
- **4,964** public foundations



## Assets, revenue, and expenditures by designation (billions)

- Charitable organization
- Private foundation
- Public foundation



### Revenue by type (billions)

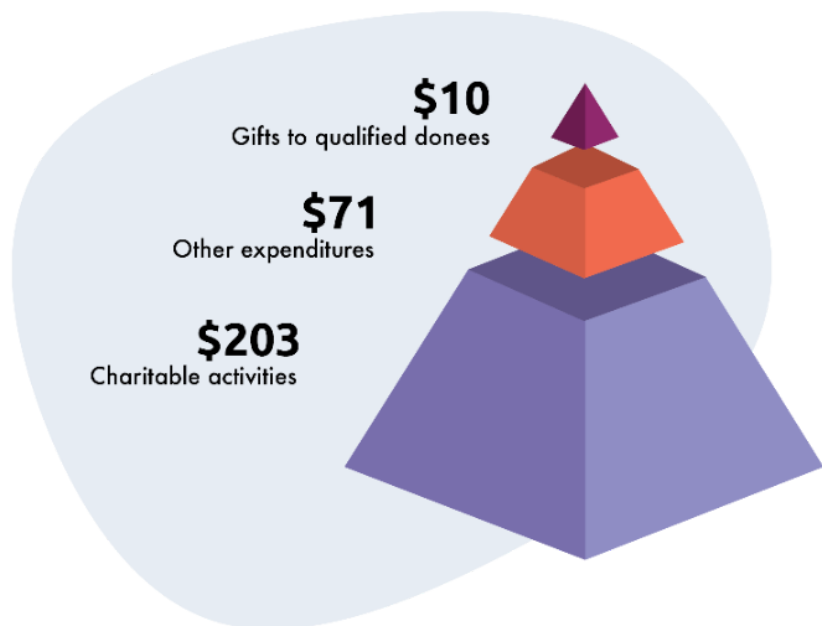
In 2019, the government continued to be the main source of revenue for charities, making up 64% of all revenue. The combined amounts in the "other" category made up just under 16% of charity revenue. Revenue from the sale of goods and services (8%), tax-receipted gifts (6%), non tax-receipted revenue (4%), and revenue from other registered charities (3%) made up the rest of charity revenue in 2019.

\*such as interest and investment income, proceeds from the disposition of assets, and income from land and building rental

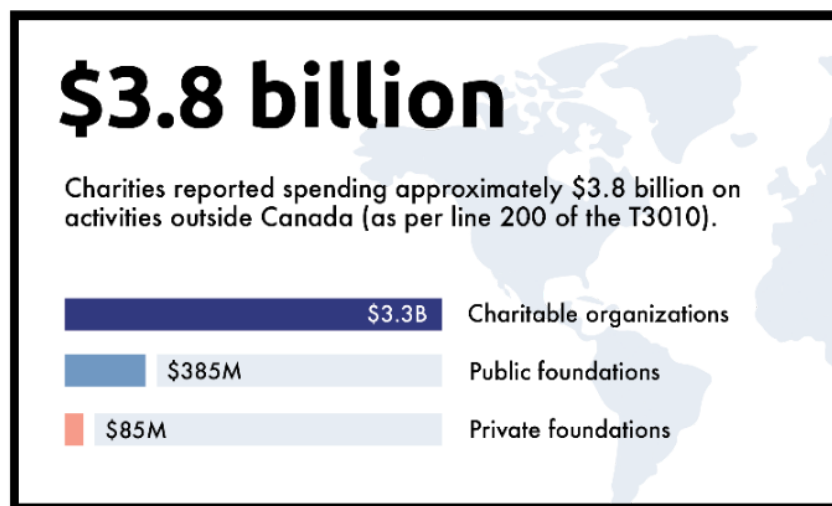


## Expenditures by type (billions)

In 2019, charities reported spending 72% of their resources on charitable activities, 3% on gifts to qualified donees, and 25% on "other" expenditures such as professional and consulting fees, management and administration, and travel expenses.



## Activities outside Canada



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada

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## Regulating through COVID-19



The COVID-19 pandemic created substantial challenges for the sector and the directorate, requiring determination, flexibility, and creativity to adapt and press on, including transitioning to remote work. It has never been more important for the directorate to employ a people-first approach focused on providing empathetic client-centric service. It proactively considered how the pandemic could be affecting charities and quickly worked to lessen negative impacts wherever possible.

## Impacts of COVID-19 on the directorate

### March 2020

- Closed offices
- Extended the T3010 filing deadline
- Established remote work for employees
- Supported funding programs to assist charities (see below)

### May 2020

- Resumed the review of applications for charitable registration
- Resumed limited compliance activities: resolving open audits with educational outcomes and voluntary revocations

### October 2020

- Resumed remaining audit activities: Charities Education Program

### April 2020

- Re-opened the call centre at full capacity

### September 2020

- Resumed additional compliance activities: audits with corrective outcomes and processing revocations

### Today

- Fully operational virtually
- Continue to explore options to adapt programs to the current environment

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## Supporting federal financial assistance programs

Since the onset of the pandemic, the CRA (Canada Revenue Agency) has worked to maintain a balance between making emergency funds accessible to employers who urgently need this support, while preserving the fairness and integrity of the tax system. As part of these efforts, the directorate has supported two major federal government financial assistance programs aimed at helping Canadian employers, including charities, facing hardship as a result of COVID-19: the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Rent Subsidy (CERS).

### Supporting federal assistance programs

Charities data as of March 31, 2021

Note: These figures are approximate and subject to change as applications for prior eligibility periods are submitted and/or amended.

	CEWS	CERS
Applications	139,342	12,615
Approved applications	138,539	12,307
Approved funds	\$3 billion	\$39 million

#### ► Image description

The directorate partnered with several areas of the CRA (Canada Revenue Agency) to develop and administer the CEWS (Canada Emergency Wage Subsidy) and CERS (Canada Emergency Rent Subsidy), including providing educational resources, reviewing applications, and responding to applicant questions and concerns. This group also developed a consistent validation and audit approach to the CEWS (Canada Emergency Wage Subsidy) and CERS (Canada Emergency Rent Subsidy). The directorate has and will continue to use a combination of automated queries, data checks,



and post-payment audits to ensure charity and other qualified donee applicants and recipients meet the eligibility criteria. This new workload required the directorate to divert some resources from its regular compliance programming, and will continue into the next fiscal year.

## CEWS/CERS reviews and audits



## Serving the sector

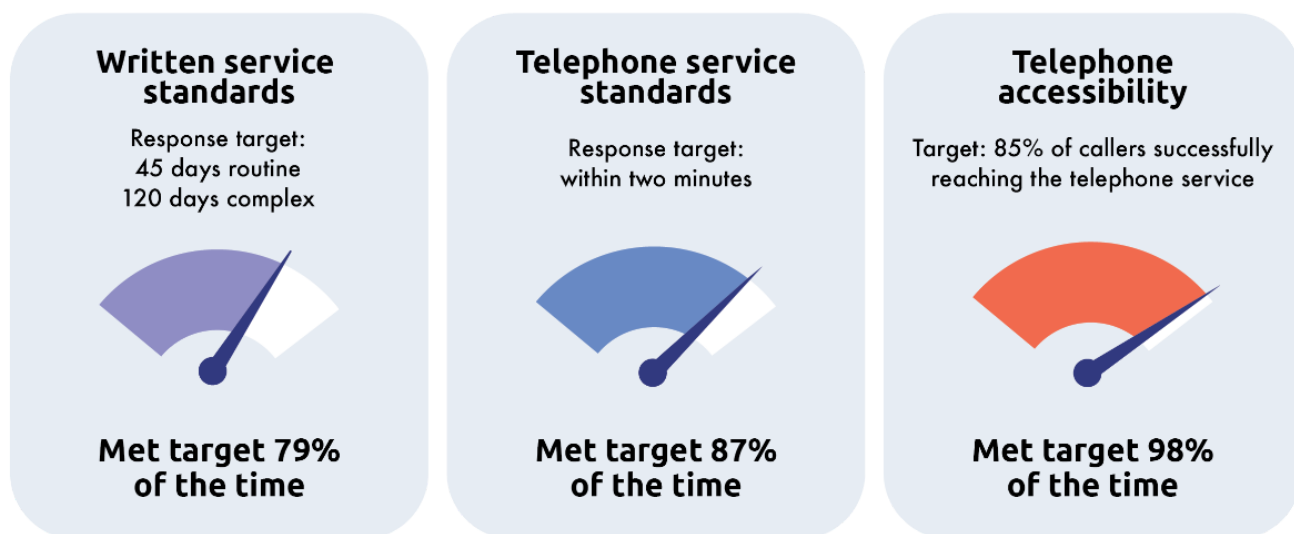
It was essential for the directorate to embrace and implement technological developments in order to remain operational and provide important services during the pandemic. In fiscal year 2020 to 2021, the directorate increased efforts to convert paper-based work into an electronic format and encouraged the sector to use available digital service options to communicate with the directorate.

## Enquiries received





The directorate also implemented a remote call centre with agents working from home. This allowed for the early resumption of call centre operations, providing support for the sector in uncertain and challenging times. It also prioritized requests that would affect a charity's ability to provide aid to the community. These early adaptations enabled the directorate to exceed its telephone enquiry service standards and almost meet its written enquiry standards in an unprecedented year.



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## Training

The directorate continued to strengthen its regular core internal training for employees as part of its ongoing response to the Report of the Consultation Panel on Political Activities. This process required complete adaptation to the new virtual environment of employees working from home by taking advantage of collaborative tools for video conferencing to deliver training. It also required the directorate to develop a new hybrid approach that combined self-study learning and live virtual presentations.



Consistent with the CRA (Canada Revenue Agency) principles of integrity and respect, the directorate has continued to pursue training activities to educate all employees on unconscious bias and empathy in service, such as those offered by the Canada School of Public Service.

These efforts reflect the directorate's continued support of employees and its alignment with the CRA (Canada Revenue Agency)'s service transformation agenda to improve the service experience for Canadians.

## Program activities

The directorate quickly pivoted to engaging virtually with internal and external stakeholders at the onset of the pandemic, allowing it to continue to support the sector and the regulation of charities.

### Advisory Committee on the Charitable Sector

Announced in the 2018 Fall Economic Statement, the Advisory Committee on the Charitable Sector is a consultative forum for the Government to:

- engage in meaningful dialogue with the charitable sector
- advance emerging issues relating to charities
- ensure the regulatory environment supports the important work that charities do

Membership is made up of representatives from the CRA (Canada Revenue Agency), the Department of Finance Canada, and the charitable sector.

The advisory committee held six full virtual meetings, numerous working group meetings, and conducted focus groups with members of the sector to advance its priorities in fiscal year 2020 to 2021.



In January 2021, the advisory committee published its first report which included three recommendations to the Minister of National Revenue. The CRA (Canada Revenue Agency) is committed to reviewing all recommendations that fall within its mandate. The recommendations and supporting rationale will inform the Minister of National Revenue's discussions with her Cabinet colleagues and plans with other federal government departments. More information on the advisory committee's activities, including subsequent reports, can be found on the CRA (Canada Revenue Agency) web pages.

## **Response to the report of the Special Senate Committee on the Charitable Sector**

The Senate of Canada formally adopted the report of the Special Senate Committee on the Charitable Sector, Catalyst for Change: A Roadmap to a Stronger Charitable Sector, on November 3, 2020, and requested a detailed response from the Government of Canada.

On March 30, 2021, the Honourable Diane Lebouthillier, Minister of National Revenue, tabled the government response with the Senate. The government agreed to either support, refer for study, or further consider 37 of the 42 recommendations in the report. In particular, 11 recommendations (numbers 8, 9, 19, 25, 26, 34, 35, 36, 37, 39, and 40) will be referred to the Advisory Committee on the Charitable Sector for study and advice. Eight federal government departments and agencies provided input for the response, including the CRA (Canada Revenue Agency) and the Department of Finance Canada as co-signers.

## **Registered journalism organizations**



Budget 2019 introduced three tax measures to support Canadian journalism organizations producing original news. On January 1, 2020, legislation for the third tax measure, extending eligibility for registration as a qualified donee to registered journalism organizations (RJOs), came into effect. At that time, the directorate launched the RJO (Registered Journalism Organization) Program. It is responsible for the registration, monitoring, and compliance of RJO (Registered Journalism Organization)s, as well as developing related operational policy and procedures.

On April 17, 2020, the Department of Finance Canada announced proposed amendments to the journalism tax measures to better achieve the initial program objectives of supporting Canadian journalism. The directorate has been administering the proposed changes to the RJO (Registered Journalism Organization) eligibility criteria as announced. Budget 2021 confirmed the government's intention to proceed with the revised legislation.

The directorate has worked hard to develop and publish the:

- RJO application
- annual RJO return and guide
- directors/trustees worksheet
- RJO guidance
- a suite of information web pages

In fiscal year 2020 to 2021, the directorate registered two journalism organizations and published their names and status on the list of registered journalism organizations.

## Financial Action Task Force recommendations



The Financial Action Task Force (FATF) is an inter-governmental body that sets international standards to prevent money laundering and terrorist financing on a global scale. To support Canada's commitment to implementing the recommendations of the FATF (Financial Action Task Force), the directorate provided significant input on various Department of Finance Canada-led anti-money laundering (AML) and anti-terrorist financing (ATF) initiatives. These include the Interdepartmental review of Canada's AML (Anti-money laundering)/ATF (Anti-terrorist financing) regime, an update of Canada's National Inherent Risk Assessment, and a FATF (Financial Action Task Force) review of Canada's technical compliance with the FATF (Financial Action Task Force) recommendations. These activities help protect the integrity of Canada's registration system for charities and maintain the confidence of Canadian taxpayers that the benefits of charitable registration are made available only to organizations that operate exclusively for charitable purposes.

## Outreach and education

Offering outreach and educational services to charities during the pandemic was essential to provide stability during an uncertain time. The directorate worked to ensure continuity of service and clear advice related to the impact of the COVID-19 pandemic by delivering virtual learning to employees. It also helped develop the CRA (Canada Revenue Agency)-Charities COVID-19 response page which provided timely updates on the directorate's business resumption activities.

## Service improvements



The pandemic caused a dramatic shift toward a more digital world. Over the course of the year, the directorate experienced a small increase in the number of electronic mailing list subscribers and use of its online T3010 filing service (5% each). The directorate developed communications products and trained call centre staff to support charities as they transitioned to using the online services, including My Business Account and Represent a Client, as well as applying for federal COVID-relief subsidies online.



Chat with Charlie 

To help charities and the public find specific information on the Charities and giving web pages, the directorate added charities information to the existing CRA “Charlie” Chatbot aid, and added the service to some of its heavily visited web pages. Charlie provides information on registering a charity, filing a T3010 and other topics using existing content from Canada.ca.

#### ► Image description

The directorate changed its planned in-person information sessions into online webinars using Microsoft Teams Live Events. That platform best mimics in-person gatherings because it allows participants to live-chat with presenters and other charity subject matter experts. All of these efforts helped make sure that the sector received timely information and resources.

## Guidance

The directorate’s guidance products cover a wide range of topics to help charities comply with the requirements of registration under the Income Tax Act. On November 27, 2020, the directorate published new guidance products covering two key aspects of the important work charities do:

- Guidance CG-029, Relief of poverty and charitable registration



- [Guidance CG-030, Advancement of education and charitable registration](#)

The [CRA \(Canada Revenue Agency\)](#) also finalized [Guidance CG-027, Public policy dialogue and development activities by charities](#), following consultations on a draft version previously posted on the [CRA \(Canada Revenue Agency\)](#) web pages.

In addition, the directorate updated its guidance about how charities can arrange to carry on their charitable activities by engaging with intermediaries, both within and outside Canada:

- [Guidance CG-002, Canadian registered charities carrying on activities outside Canada](#)
- [Guidance CG-004, Using an intermediary to carry on a charity's activities within Canada](#)

## Applications

Following the physical office closures on March 16, 2020, due to the pandemic, the directorate resumed the review of applications for registration as a charity or [other qualified donee \(OQD\)](#) on May 18, 2020.

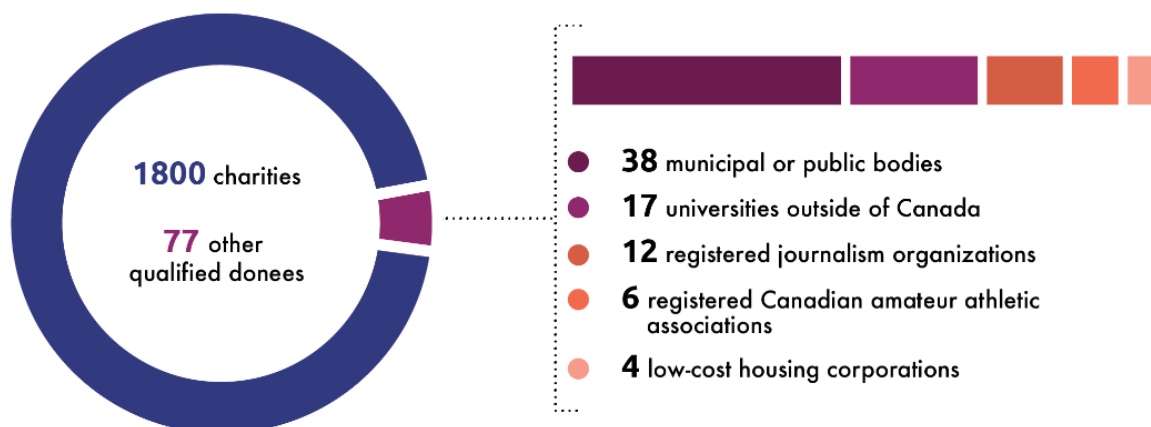
The pandemic required employees and charities to adapt to new ways of working and communicating. The directorate worked very hard last year to meet its service standard of providing a first meaningful response within six months of receiving a complete application and clearing the backlog of applications caused by the spring office closures. When the directorate could review applications again, it was able to lift its service standard result of 13% in the first quarter (April to June 2020) back up to 97% in the fourth



quarter (January to March, 2021). The directorate will continue to prioritize providing timely service to applicants moving forward by modernizing its processes and finding innovative solutions to improve efficiencies.

The directorate provided direct support to applicants and representatives to navigate its online services for charitable registration. In fiscal year 2020 to 2021, the directorate received 1,800 applications for registration as a charity, with 91% of applicants using online services to submit their applications and documents, and correspond with the directorate regarding an application. The directorate also received 77 applications for registration as an OQD.

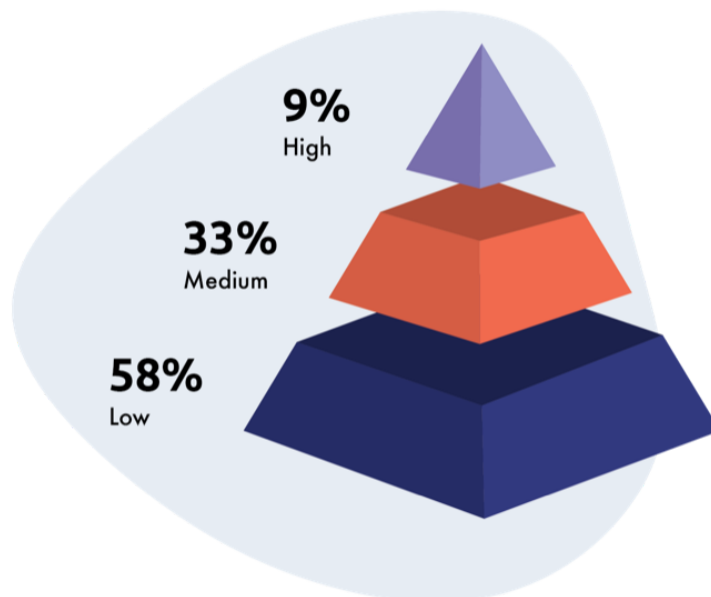
## Applications received





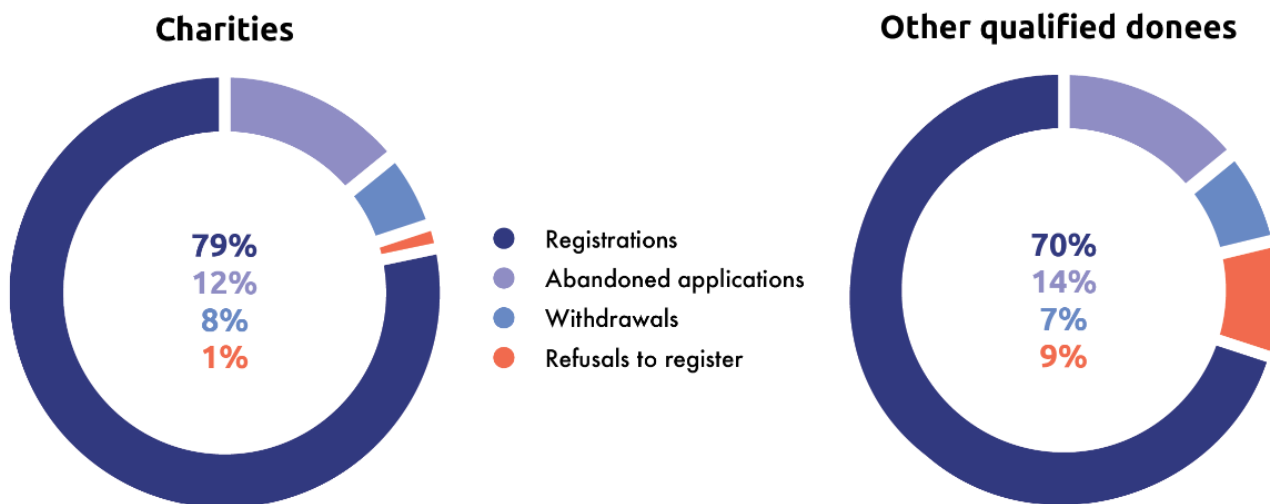
## Applications for registration as a charity by risk/complexity level

In 2018, the directorate developed and implemented a new application screening tool, which allows it to more rapidly process applications with clear charitable purposes and activities (low risk/complexity). As a result, the directorate can reserve its resources for applications that require more analysis to make a determination (medium to high risk/complexity).



## Application outcomes

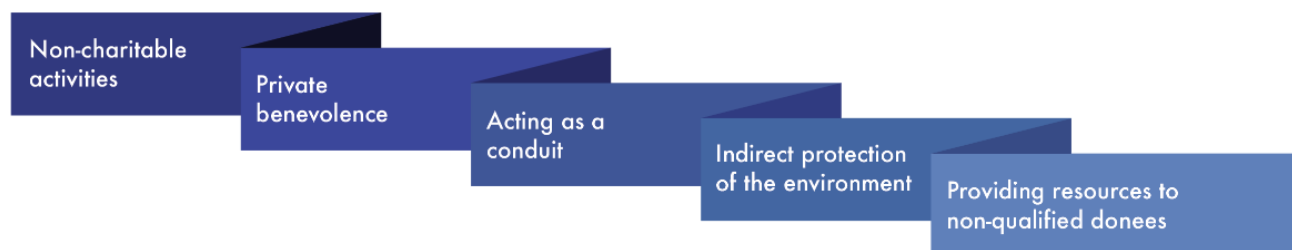
Registration continued to be the most common application outcome from 2020 to 2021. Refusal to register has been the least common application decision made by the directorate since 2013 to 2014, coming in at 1% of application outcomes for the last four years. Registration was also the most common OQD application outcome from 2020 to 2021. Refusals are more common for this group because of the distinctive eligibility criteria for each OQD type.



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## Common reasons for refusal - charities



## Modernization

### Pre-registration amendments

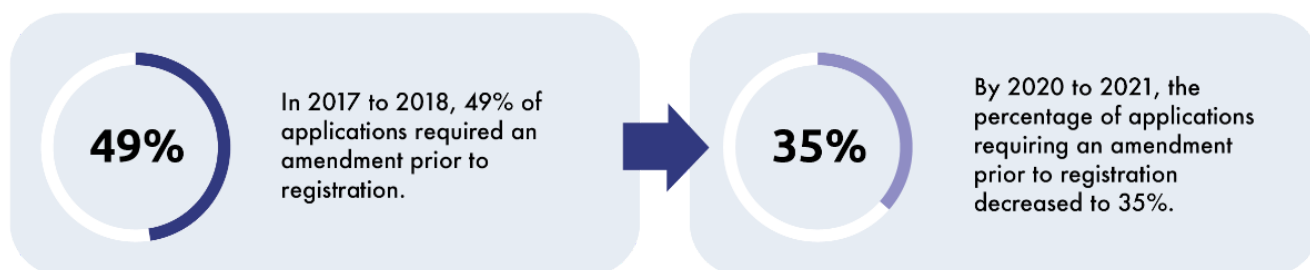
In response to sector concerns, the directorate reviewed whether it was appropriately applying common law when asking applicants to amend their purposes, dissolution clause, remuneration clause, non-profit clause, or share capital clauses prior to being eligible for charitable registration.

Based on a sample of 137 files between 2009 and 2018, the directorate found that it had increasingly required applicants to make amendments and that requiring those amendments caused delays in the registration process. The review also found that the directorate often mislabeled acceptable purposes as broad and vague, and about 34% of amendment requests were not necessary.

As a result of the review, the directorate developed a new training course for its employees on purposes and activities in the spring of 2018. The new training material explains that the directorate has more latitude in reviewing purposes and can infer, from the activities or other information in the application, the three elements of a purpose: category of charity, means, and beneficiaries. The course also clarified the terms broad and



vague to improve accuracy in applying the concepts to purposes. These changes enabled the directorate to reduce the number of requests for amendments by 14%.



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## Online application developments

The directorate sought feedback from the sector about the online application form to identify challenges and areas for improvement. It received feedback through various mediums including conferences, online research, and enquiries made to the call centre. The directorate compiled this information and plans for changes to the online application to be implemented in 2021 to improve usability and clarity. The directorate will continue to make changes to the form where possible and provide support to applicants through direct communication and adding education aids on its web pages.

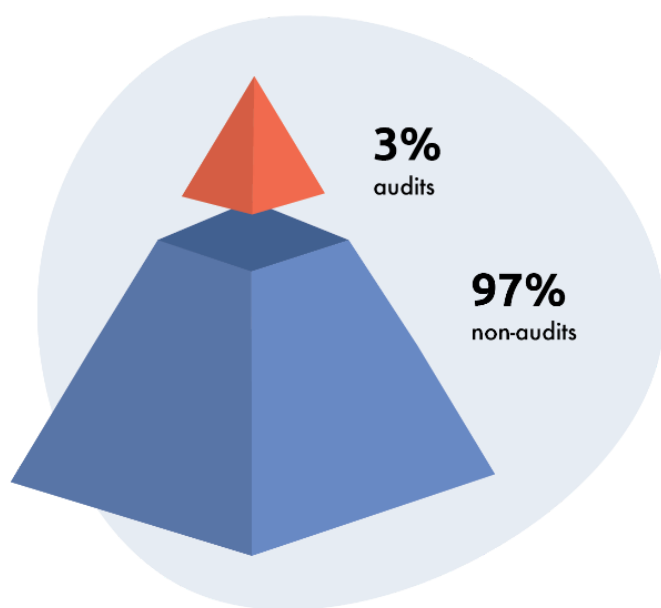
## Compliance

The directorate considered the impacts of the pandemic on the charitable sector when planning the resumption of its compliance activities in fiscal year 2020 to 2021. It gradually relaunched its compliance program, focusing first on resolving open audits and voluntary revocations. The directorate then progressively reintroduced new audit activity in the highest risk areas and remaining program streams, including revocations.



It also adapted the Charities Education Program to begin promoting voluntary compliance through virtual visits. With this strategy, the directorate aimed to work constructively with charities while maintaining public trust in the sector.

These strategic changes temporarily altered the directorate's overall approach to compliance. It will return to its multi-stream approach of promoting voluntary compliance through various methods among a wide segment of the sector and reserving audits for the smaller proportion of charities that demonstrate a high risk of engaging in non-compliant activities. This approach benefits the sector and the public by providing education to charities earlier to resolve minor types of non-compliance before enforcement action is required while appropriately directing audit resources for the more isolated cases of serious non-compliance.

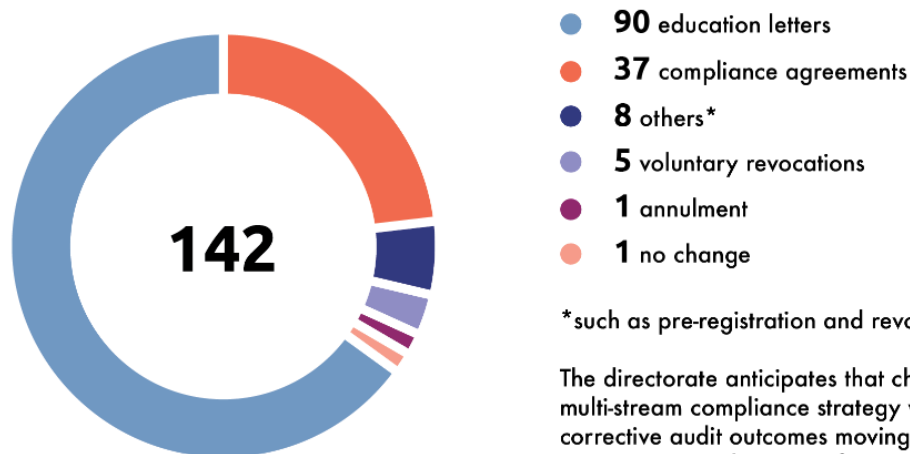


## Compliance activities by type

Non-audit activities are aimed at promoting compliance outside of the audit process. They include Charities Education Program visits, letters, phone calls, and requests for information.



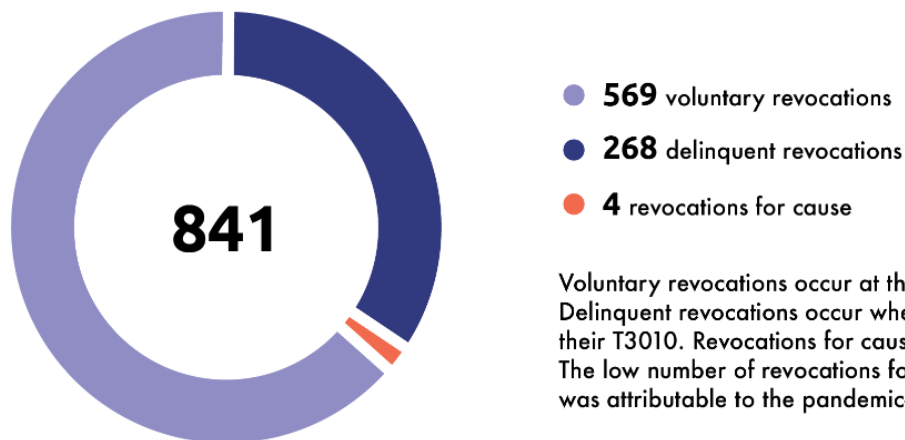
## Audit outcomes



\*such as pre-registration and revocation tax audits

The directorate anticipates that changing its approach to the multi-stream compliance strategy will continue to increase corrective audit outcomes moving forward, such as penalties, suspensions, and notices of intention to revoke.

## Compliance revocations



Voluntary revocations occur at the request of a charity or OQD. Delinquent revocations occur when a charity or OQD fails to file their T3010. Revocations for cause occur as a result of an audit. The low number of revocations for cause from 2020 to 2021 was attributable to the pandemic-related program changes.

Note: Audit outcome and compliance revocation data may not match because an audit may be completed in a different fiscal year than when the revocation occurred.

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## Common non-compliance findings

Incomplete  
or incorrect  
return

Incomplete or  
inaccurate  
donation receipts

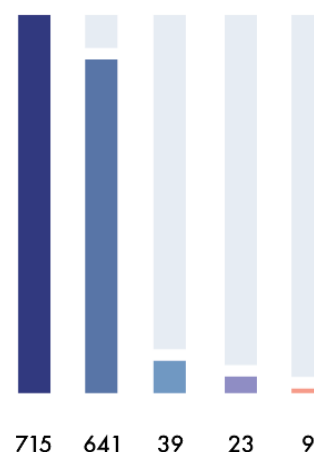
Inadequate books  
and records

## Revocation tax assessments

The directorate assesses the amount of tax owed by a revoked charity on remaining charitable property that has not been applied to charitable use. The tax is equal to 100% of the value of all remaining assets after the charity has paid its debts. A charity may transfer its remaining assets to an eligible donee (an arm's length registered charity in good standing) to keep these assets in the charitable sector. The revocation tax ensures that charitable property does not leave the charitable sector when a charity is revoked.

In fiscal year 2020 to 2021, the directorate completed the following revocation tax-related activities:

- Reminders to file a T2046
- Form T2046 assessments<sup>1</sup>
- Other<sup>3</sup>
- Arbitrary assessments<sup>2</sup>
- Reassessments



<sup>1</sup>Tax Return Where Registration of a Charity is Revoked

<sup>2</sup>assessment using the most recent T3010/financial statement on file where T2046 is not provided

<sup>3</sup>includes closures for other reasons such as re-registrations or files where no T2046 was filed and the organization had no remaining assets

► Image description

## Looking ahead

Fiscal year 2020 to 2021 was filled with challenges but the Charities Directorate and the charitable sector faced them head on, showing their strength, determination, and ability to innovate. The directorate quickly enabled employees to work from home to ensure continued services for charities and maintain public trust in the sector.



The directorate will continue to consider the impact of the pandemic on charities and work to support them in the coming years while getting its plans back on track. It will continue to administer emergency measures and recovery benefits in fiscal year 2021 to 2022, and prepare to address and assess both the impact of the charities-related measures announced in Budget 2021 and the recommendations of the Advisory Committee on the Charitable Sector (ACCS).

In January 2022, the directorate will begin working to improve T3010 completeness, timeliness, and accuracy as recommended by the ACCS (Advisory Committee on the Charitable Sector). It will develop a plan to examine the extent and causes of reporting issues, and consider ways to increase charity data integrity, which could include:

- modifying the T3010 form and guide
- providing additional/targeted education
- improving and encouraging digital filing

The directorate anticipates that improving T3010 reporting will provide numerous benefits to the charitable sector and public in the coming years, such as:

- making it easier for charities to understand and complete the T3010
- generating accurate and reliable data for evidence-based decision-making
- capturing and sharing charity data more quickly through digital filing

Despite challenges imposed by the pandemic, the directorate remains committed to its key priorities of providing fair, empathetic, and client-centric service, strengthening trust in the charitable sector, and fostering innovation.



# Stay connected

**Date modified:**

2022-03-10