Canada Revenue Agency | Agence du revenu du Canada

Complex Audit Team

Collaboration with ILBIB

Canada

Business Statement

The Charities Directorate (CD) is in discussion with ILBIB representatives in establishing a collaborative approach to address charities that are developing strategies and seeking opportunities to take advantage of the tax system for financial gain.

- Promote transparency by communicating to the sector audit project themes (i.e., addressing high-risk non-compliance)
- 16(1)(c) [redacted]

Facts

- In 2016,
  - 5,368 private foundations
  - 5,125 public foundations
  - $73 billion in assets held by public and private foundations (increased by $38 billion in 8 years)

16(1)(c)

The Plan

- Discussions have taken place between the Charities Directorate and ILBIB regarding 16(1)(c) [redacted] involved in potential aggressive tax planning and are of interest to both branches

- 16(1)(c) [redacted]

- ILBIB is willing to provide experienced senior level field auditors (AU3/4) to conduct audits on charities

- In order to support the auditors, a team in HQ Charities Directorate is required as the ILBIB auditors are not familiar with charity law and corresponding audit procedures

Financial Requirements

- ILBIB has agreed to provide the field auditors to conduct these complex audits
- The Charities Directorate requires resources to establish a team to support the ILBIB auditors
  - The HQ team would be composed of 16(1)(c) FTEs
  - The cost of the team would be 16(1)(c)
    - (salary of 16(1)(c) and O&M of 16(1)(c)

Composition of HQ Team

- The HQ team would be composed of the following:
    - 16(1)(c) [redacted]
- The size of the HQ team is scalable based on the number of ILBIB auditors identified for this initiative

The Team Functions

- The analyst/researcher provides advice on the purposes and activities of the organization
  - This resource will be provided by the Compliance Division and the division will need to backfill that position
- The charity law advisor is a dedicated resource from PPLD who provides advice on policy matters
  - This resource will be provided by PPLD and the division will need to backfill that position
- The audit advisors provide advice on audit techniques, written communication and sanctions
  - These resources will need to be hired
- The information officer provides screening, file identification and file management services
  - This resource will be provided by the Compliance Division and the division will need to backfill that position

The Charity Auditor vs the Tax Auditor

Charity Auditor	Tax Auditor
Knowledge on charity law and registration obligations	Knowledge on personal and corporate tax
Reviews and interprets an organization's purposes and activities and reviews their use of their charitable resources	Reviews and interprets corporate planning documents and tax planning arrangements
Propose methods to correct the direction and action of an organization; severe non-compliance leads to sanctions and/or revocation	Propose income adjustments against the corporation that lead to taxes owing to the CRA

The numbers

- Current 16(1)(c) charity workload has expensed 16(1)(c) 16(1)(c) per file
- Anticipated that each auditor will conduct 16(1)(c) audits per year
- One Charities Audit Advisor will be needed for every 2 auditors
  - Planning based on 16(1)(c) audits for every one advisor per year