

# Welcome to the Charities Information Webinar

**Please stand by, we will be starting shortly.**



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada



**LAND ACKNOWLEDGEMENT**  
**RECONNAISSANCE DES TERRES**

# Rules for charities making grants to grantees (non-qualified donees)

## Guidance CG-032

For registered charities and other qualified donees

# Objective

Provide charities information and resources on the rules for making grants to grantees (non-qualified donees).



# Overview

Part 1: Background

Part 2: The granting guidance

Part 3: Special topics

Part 4: Resources

# Part 1 - Background

# Background – terminology

## Qualified donees

- Registered charities

## Non-qualified donees

- Grantees
- Intermediaries

# Background – legislative reform

- Charitable sector stakeholders have long advocated for more reasonable and flexible ways to work with these non-qualified donees.
- The Federal Budget 2022 announced changes to the ways a charity can work with non-qualified donees.



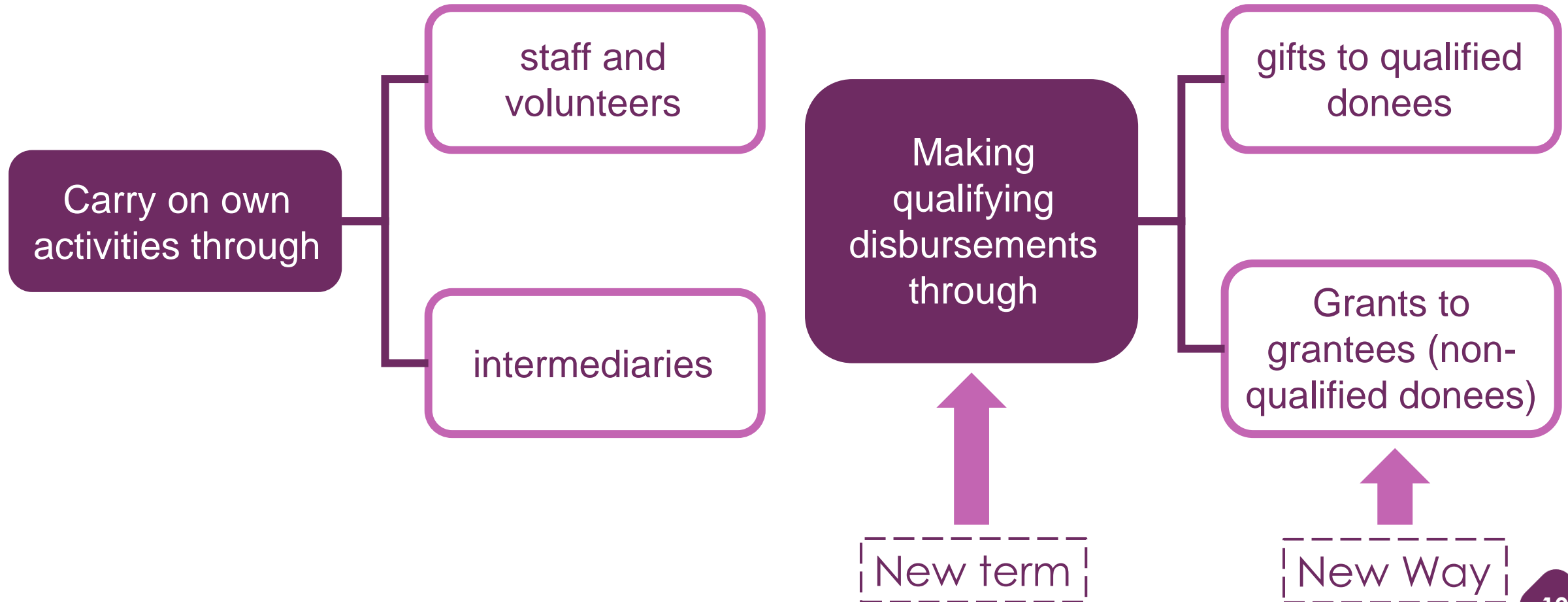
# Direction and control

Previously, a charity could operate in **two ways only**:

1. carrying on its **own charitable activities** through its staff and volunteers, or through an intermediary if the charity exercises direction and control
2. making **gifts to qualified donees** (mostly other Canadian charities)

# Grants to grantees

Now, a charity can operate in an additional way: **making grants to grantees (non-qualified donees)**



# Granting vs direction and control

Granting	Direction and control
<ul style="list-style-type: none"><li>• Charity must meet accountability requirements</li><li>• Reported as “qualifying disbursement”</li><li>• Charity can support existing work of non-qualified donee</li><li>• Accountability tools focus on:<ul style="list-style-type: none"><li>➤ mitigating risk</li><li>➤ collaboration</li><li>➤ providing autonomy to non-qualified donee</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Charity must exercise direction and control</li><li>• Reported as the charity’s “own activity”</li><li>• Activity must be the charity’s own caved-out initiative</li><li>• Measures focus on the charity directing and controlling the activities, such that they could be considered the charity’s own</li></ul>

## Part 2 – Granting guidance

[CG-032, Registered charities making grants to non-qualified donees](#)

# Grants to grantees (cont'd)

**149.1 (1) *qualifying disbursement*** means a disbursement by a charity, by way of a gift or by otherwise making resources available,

(a) ... to a qualified donee, or

(b) to a grantee organization, if

(i) the disbursement is in furtherance of a charitable purpose (determined without reference to the definition charitable purposes in [subsection 149.1(1) of the Income Tax Act]) of the charity,

(ii) the charity ensures that the disbursement is exclusively applied to charitable activities in furtherance of a charitable purpose of the charity, and

(iii) the charity maintains documentation sufficient to demonstrate

(A) the purpose for which the disbursement is made, and

(B) that the disbursement is exclusively applied by the grantee organization to charitable activities in furtherance of a charitable purpose of the charity ...

# New guidance product: CG-032, Registered charities making grants to non-qualified donees

**April 2022**

Budget 2022  
announces new  
way to work with  
NQDs

CRA develops  
draft granting  
guidance

CRA analyses and  
incorporates  
feedback into final  
guidance

**June 2022**

Changes  
passed in law

**November 2022**

CRA posts draft  
guidance for  
feedback

**December 2023**

CRA publishes  
final guidance

# Overview of CG-032, Registered charities making grants to non-qualified donees

## Section 1

Provides summary of CRA's interpretation and application of new ITA requirements

## Section 2

Outlines the ways a charity can operate, including comparing granting with direction and control

## Section 3

Recommends a five-step due diligence process for charities to fulfill the ITA requirements for grants

## Section 4

Covers special topics, such as new reporting requirements, real property grants, and pooled grants





# High-level takeaways of granting guidance (1/5)

## Recommendation only:

- The granting guidance sets out the CRA's recommended way to meet the ITA requirements.
- We have aimed to be reasonable and flexible in the application of the rules.
- Guidance products are not law, and are not the only way a charity can meet the requirements.

# High-level takeaways of granting guidance (2/5)

## Direction and control vs granting:

- Charities can continue to use direction and control as a separate way to work with non-qualified donees.
- A charity is free to choose which way works best for the arrangement.
- The guidance addresses this, as well as comparisons between the two ways to work with non-qualified donees.

# High-level takeaways of granting guidance (3/5)

## Charitable purposes:

- Charities can only make grants that further the charity's stated charitable purposes (the purposes in its governing documents, such as its articles of incorporation).
- Many charities will be able to expand their operations to include making grants to grantees using their existing purposes.
- However, a charity would need to amend its purposes if it:
  - × wants to make a grant for a purpose that is not stated in its governing document.
  - × does not have a stated common law charitable purpose within one of the four categories of charity. This includes a foundation that only has a purpose to make gifts to other qualified donees.

# High-level takeaways of granting guidance (4/5)

## Charitable purposes (continued):

- A charity could not make a grant with only a “making qualifying disbursements” or “making grants” purpose. A “grant-making” purpose in and of itself would not fall within one of the four categories of charity.
- When drafting a charitable purpose, it is not necessary for the charity to specify that the organization will be making grants.
- Here is an example of a purpose that would be suitable for a grant that advances education:

To advance education by providing books, equipment, and educational aids to students.

- Here is an example of a purpose that would be suitable for a grant that relieves poverty:

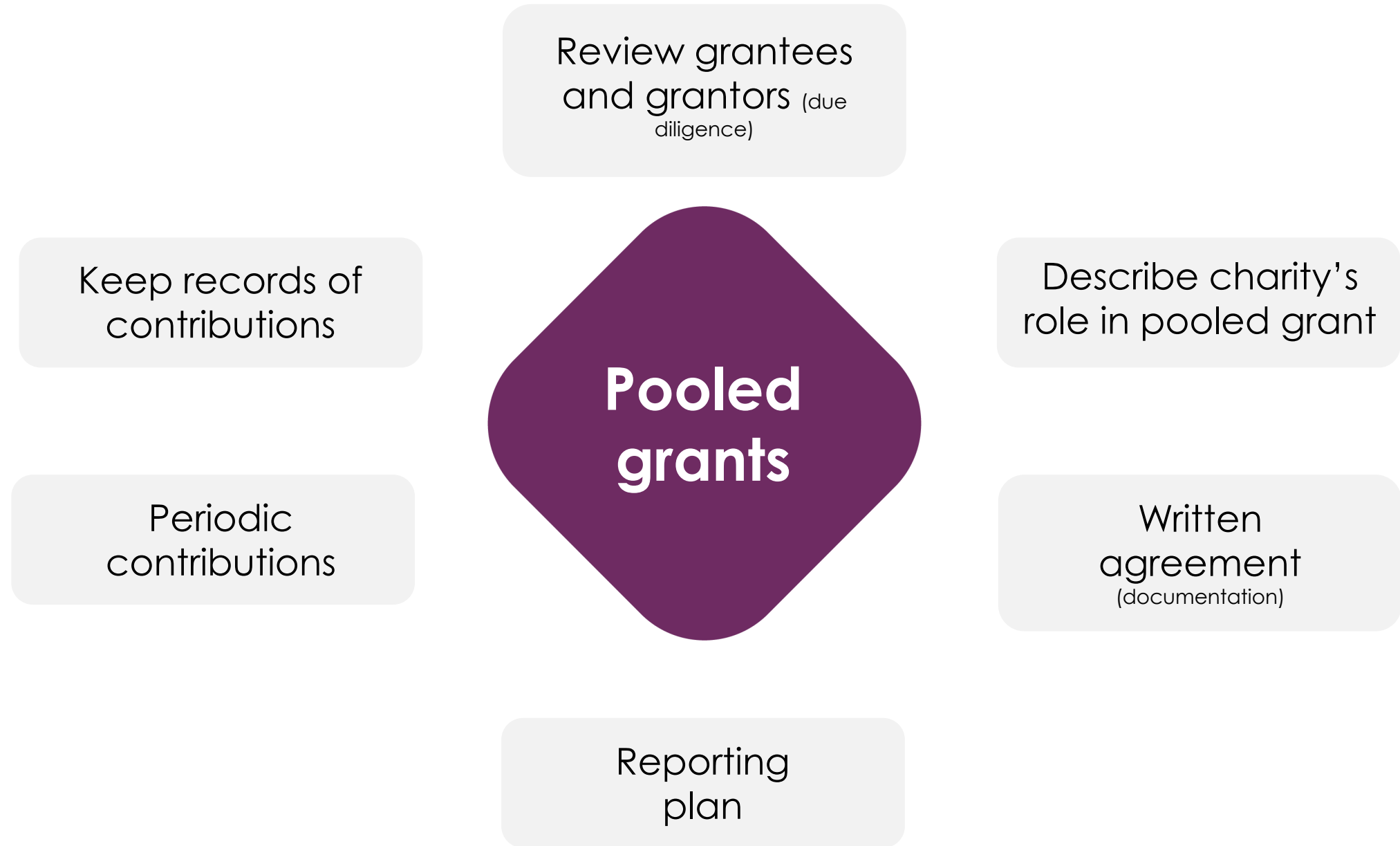
To relieve poverty by providing necessities of life, including food, clean water, medical supplies, clothing, or shelter to victims of disasters.

# High-level takeaways of granting guidance (5/5)

## Reporting requirements:

- The ITA provides new reporting requirements for grants.
- Charities need to report grants in a different way than when working with intermediaries.
- See the [guidance](#), as well as the [T3010](#) and related [Guide](#) for more information.

## Part 3 – Special topics



# Disaster or emergency relief

- Registered charities may need to amend their purposes to make grants for disaster relief if, for example, they only have a gifting to qualified donees purpose.
- We typically assign priority to files about organizations wanting to provide disaster or emergency relief.



# Anti-terrorism considerations

- While terrorism abuse may affect only a small number of charities and NPOs, the risk is real and can occur without an organization's knowledge.
- Allegations linked to terrorism can damage an organization's reputation and affect its registered status. That's why it's important that your organization and its directors:
  - Understand and identify your organization's risks, such as by identifying your charity's activities or practices that are susceptible to abuse.
  - Take steps to mitigate your risks, such as by developing clear, complete, and detailed descriptions of the activities and responsibilities of staff, volunteers, partners, and others.
- For more detailed advice, see the "[Checklist for charities on avoiding terrorist abuse](#)" page on our web site.

# Directed giving

## Income Tax Act

### Revocation of Registration of Certain Organizations and Associations

#### Notice of intention to revoke registration

**168 (1)** The Minister **may**, by registered mail, give notice to a person described in any of paragraphs (a) to (c) of the definition **qualified donee** in subsection 149.1(1) that the Minister proposes to revoke its registration if the person

...

**(f)** in the case of a **registered charity**, registered Canadian amateur athletic association or registered journalism organization, **accepts a gift the granting of which** was **expressly or implicitly conditional on the charity**, association or organization **making a gift to another person, club, society, association or organization other than a qualified donee.**

# Charitable giving



Donor



Charity



Gifts to qualified donees



Donor



Charity



Own activities,  
including working  
through an  
intermediary

## Directed giving



Donor



Charity



Solely makes grants to  
a particular grantee  
organization

# Directed giving

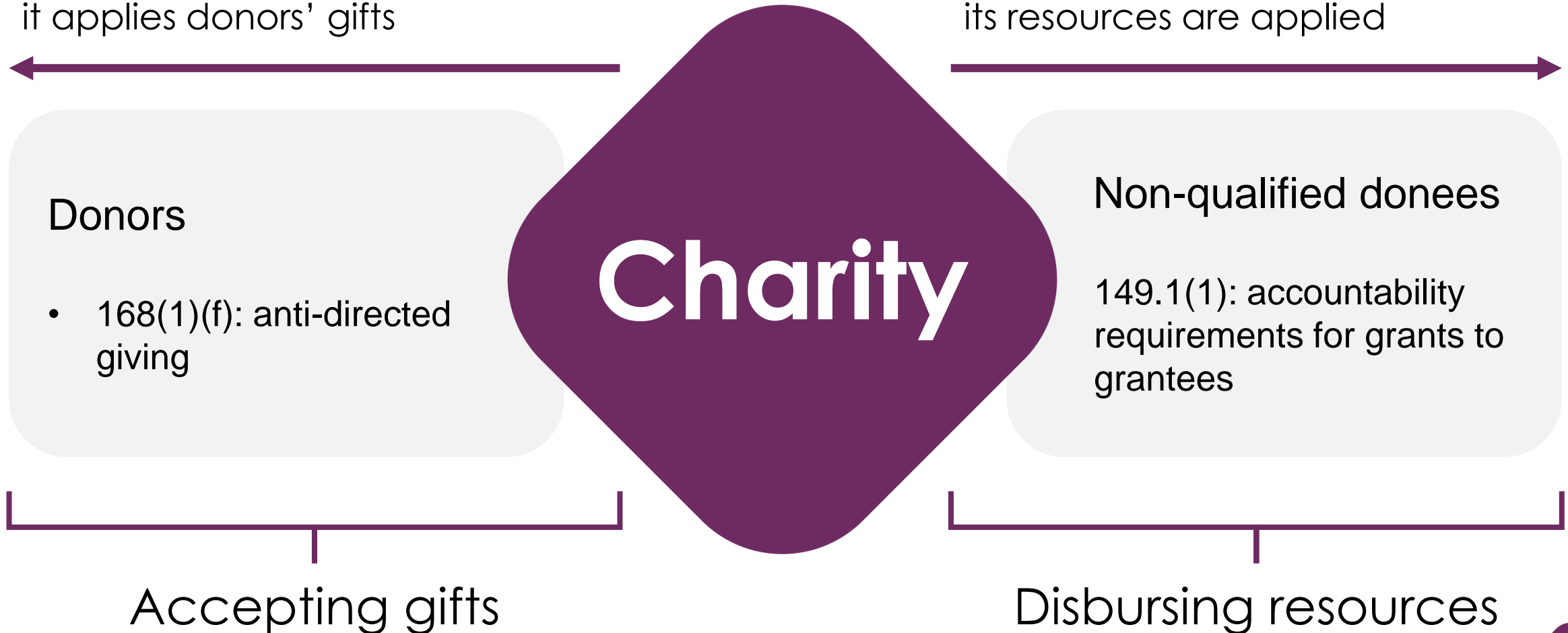
## CG-032, Registered charities making grants to non-qualified donees

Paragraph 80: “Provided a charity can show it retains authority over the use of its resources, we will consider the charity to not be engaged in directed giving.”

# Charity holding authority over the use of its resources

Charity holds authority over how it applies donors' gifts

Charity holds authority over how its resources are applied



# Directed giving

Generally speaking, this provision **does not** apply to:

- ✓ A gift to a qualified donee
- ✓ A charity carrying on its own activities through its own staff or volunteers
- ✓ A charity carrying on its own activities through an intermediary if it exercises direction and control
- ✓ A charity accepting a donor's gift for a grant when the donor indicates a *program preference* (as opposed to specifying a non-qualified donee)
- ✓ A charity that can show that it retains authority over the use of its resources

## Part 4 – Resources

# Resources

## Granting guidance:

- Search for “grants” in the A to Z index at [www.canada.ca/charities-giving/](http://www.canada.ca/charities-giving/)

## Client service

- Contact Client service, Charities Directorate, by phone, mail, fax, or through MyBA.
- 1-800-267-2384
- Contact information is available at [www.canada.ca/charities-giving/](http://www.canada.ca/charities-giving/)

## Guidance feedback

- If you have feedback or suggestions about the granting guidance, or any other guidance product, you can email your comments: [guidancefeedback-retroactionsurleslignesdirectrices@cra-arc.gc.ca](mailto:guidancefeedback-retroactionsurleslignesdirectrices@cra-arc.gc.ca)

The screenshot shows the CRA website interface. At the top, there is a header with the Canadian flag, the text 'Government of Canada / Gouvernement du Canada', a search bar labeled 'Search CRA', and a 'Français' link. Below the header is a 'MENU' dropdown and a 'CRA sign in' button. The main content area has a breadcrumb trail: 'Canada.ca > Taxes > Charities and giving > Policies and guidance'. The title of the page is 'Registered charities making grants to non-qualified donees'. Below the title is the section 'Guidance'. The 'Reference number' is 'CG-032' and the 'Issued' date is 'December 19, 2023'. A blue box highlights the 'General requirements for charitable registration' section, which states: 'In addition to the requirements set out in this guidance, there are a number of other general requirements related to charitable registration. For more information, see [Guidance CG-017, General requirements for charitable registration](#). Guidance products can be updated. If you have comments or suggestions to improve the guidance, we would like to hear from you. To provide comments or obtain additional information, [contact the Charities Directorate](#).' Below this is the 'On this page' section, which lists a table of contents with links to various sections: 1.0 Introduction and key principles (including 1.1 Background, 1.2 Technical terms and definitions, 1.3 Income Tax Act accountability requirements, and 1.4 The CRA's interpretation and application of the accountability requirements), 2.0 How can a charity operate?, 3.0 The CRA's recommended grant-making process: the due diligence model (including 3.1 Establish how the grant activity furthers the charity's charitable purposes, 3.2 Assess the grant's risk level - low, medium, or high - based on factors that may affect the charity's ability to meet the Income Tax Act requirements, 3.3 Determine how much due diligence the charity needs to apply through accountability tools based on the risk level, 3.4 Apply the accountability tools in collaboration with the grantee, and 3.5 Document the charity's due diligence over the grant's duration in its books and records), and 4.0 Special topics: limits, directed gifts and conduits, reporting, pooled grants, charitable goods, real property, disaster or emergency relief, anti-terrorism considerations, grants inside and outside Canada.