

NEW CRA POLICIES ON THE PROMOTION OF VOLUNTEERISM

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A. INTRODUCTION

Canada Revenue Agency (“CRA”) has released a number of new policies which indicate that organizations established to promote volunteerism in the community-at-large through broad-based activities can qualify for charitable registration. CRA’s policy position on this issue is set out in the Summary Policy on Volunteerism (CSP-V02) dated May 6, 2008, as well as the Policy Statement entitled “Promotion of Volunteerism” (CPS-025) effective May 1, 2008 (the “Policy”).¹

In articulating its position on the promotion of volunteerism, CRA indicated that the promotion of volunteerism is analogous to other charitable purposes recognized by legal authorities in the United Kingdom, such as the charitable purpose to foster good citizenship. The promotion of industry, commerce, agriculture, horticulture and craftsmanship have been held to be charitable where the organization’s mandate was directed to providing a benefit to the general public by enhancing the activity in question, such as providing for greater efficiency and higher standards. CRA notes that given the scope of the voluntary sector as the third major sector of activity in Canada, in addition to the public and private sectors, promoting volunteerism could arguably be compared to promoting industry, trade and commerce for the benefit of the community-at-large.

¹ See also, Jacqueline M. Demczur, “Canada Revenue Agency (“CRA”) Outlines Policy on Organizations That Promote Volunteerism” in *Charity Law Update* (May 2008), available at www.charitylaw.ca.

The Policy also emphasizes the importance of volunteerism in Canadian society. CRA notes that in the year 2000, the federal government had demonstrated its commitment to the voluntary sector by launching a \$95 million voluntary sector initiative (VSI), which government support was continued in the 2004 Budget through contributions of \$6 million over two years to advance the VSI by strengthening the voluntary sector's capacity to collaborate and innovate. Upon becoming Governor General, the Right Honourable Romeo Leblanc created a specific award, The Governor General's Caring Canadian Award, to recognize volunteers, "those who give so much to their fellow citizens, and whose compassion and charity are part of the Canadian character." CRA notes that the existence of government support or commitment in itself does not mean a particular organization or purpose would qualify as charitable. However, significant, broad-based government support for on-going years is a positive indicator of potential public benefit in this regard.

In addition, CRA indicates that its position on volunteerism in the Policy is consistent with an international trend being followed by national governments and governmental organizations in recognizing the importance of volunteerism. In this regard, the Charity Commissioners in the United Kingdom have registered a number of volunteer organizations as charities and the Internal Revenue Service in the United States has given some verbal indication that they view such organizations favourably. In addition, the United Nations had declared the year 2001 as the "International Year of the Volunteer" in recognition of the importance of volunteerism in the international community.

B. CRA REQUIREMENTS THAT APPLY IN ORDER TO QUALIFY FOR CHARITABLE STATUS AS AN ORGANIZATION PROMOTING VOLUNTEERISM

The Policy provides that an organization may be registered as a charity if "its purpose is to promote volunteerism in the community-at-large through broad-based activities." To be registered under this policy, an applicant must satisfy the following criteria:

1. The organization's formal purposes must clearly state that it is promoting volunteerism generally for the benefit of the community-at-large;
2. The organization must accomplish its purpose through broad-based activities, which may or may not be set out in the objects. The reference to "broad-based activities" means a range of activities of general interest to volunteers and the community-at-large, and should not be limited merely to providing funding for such initiatives;
3. The organization must clearly promote volunteerism to the community-at-large through broad-based activities and cannot support only one organization or one particular type of organization that reflects a single interest, unless the beneficiaries are registered charities or otherwise qualified donees;

4. The applicant can provide services only to qualified donees and non-profit organizations as described in paragraph 149(1)(l) of the *Income Tax Act*; and,
5. If the applicant funds any organizations, those organizations must be qualified donees.

Further comments on each of the above requirements are provided in the following sections.

1. The requirement to have formal purposes which clearly state that the organization is promoting volunteerism generally for the benefit of the community-at-large

The Policy states that an example of an acceptable purpose for an organization promoting volunteerism would be to benefit the community by providing and strengthening volunteerism in the community-at-large. Other examples of acceptable wording to describe such purposes that are outlined in the Policy are as follows:

- to encourage Canadians to volunteer;
- to improve the capacity of organizations to involve volunteers;
- to increase the public's awareness and support for voluntarism and the voluntary sector;
- to promote public participation with volunteer and community organizations with an aim to foster good citizenship and encourage healthy communities; or
- to provide courses, seminars, workshops, and other educational programs of use to volunteers.

2. The requirement to accomplish its purpose through broad-based activities

As indicated above, an organization established for the purpose of promoting volunteerism in the community-at-large that wishes to be registered as a charity must accomplish its purposes through broad-based activities. In this regard, although the broad-based activities may or may not be set out in the objects of the organization, the organization must actually carry out broad-based activities and must not limit its activities to merely funding those activities.

The broad-based activities should involve a range of activities of general interest to volunteers and the community-at-large, examples of which include the following, as outlined in the Policy:

- increasing public awareness and support for volunteerism through, for example, news releases and community newsletters;

- encouraging residents to volunteer in the social development and social services of their community;
- providing a means and method for recruiting and referring volunteers; and
- providing a community information resource on volunteering.

The organization may also provide training that is of general interest to volunteers-at-large, such as a board development programs that assist volunteers in achieving a better understanding of the duties and responsibilities of serving on a board. In this regard, the organization should not restrict its activities to a specific area of training such as coaching in a particular sport. The Policy also states that successful applicants will likely have a variety of volunteer training and development programs and would not exist to serve as a referral service in this regard. Where organizations carry on recruitment or training of volunteers in order to implement the organization's own charitable programs, such activities would not be considered to be promoting volunteerism, although such training and recruitment would generally constitute acceptable activities for charities.

3. The requirement to refrain from supporting only one organization or one particular type of organization that reflects a single interest, unless the beneficiaries are registered charities or otherwise qualified donees

In promoting volunteerism to the community-at-large through broad-based activities, an organization cannot restrict itself to supporting only one organization or one particular type of organization that reflects a single interest, unless the beneficiaries are registered charities or qualified donees. The Policy cites the example of an organization that has been established to promote volunteer support for public hospitals; such an organization would not be considered to be promoting volunteerism generally, although it could otherwise qualify for charitable registration, as hospitals are generally registered charities and such an organization could be registered as a charity on the basis that it has been established to assist other registered charities. An organization that promotes volunteerism primarily in community sports programs could not be registered under this policy since the promotion of sports is not charitable under Canadian law.

4. The requirement that an organization can only provide services to qualified donees and non-profit organizations as described in paragraph 149(1)(l) of the *Income Tax Act*

An organization's objects do not necessarily have to contain a restriction indicating that it will only provide services to qualified donees and non-profit organizations. However, if such a restriction is not

contained in the objects, CRA will take steps to ensure that the organization understands this requirement and if the organization is granted charitable status, the letter from CRA confirming charitable status will specifically outline this restriction.

The Policy goes on to state that “[w]hile it is not absolutely necessary for CRA officers to establish that the beneficiaries are in fact non-profit organizations, the CRA officer will review the list of potential beneficiaries in order to determine whether these include for profit groups”. While non-profit organizations, such as amateur sports groups, youth organizations, theatre or choral societies may be included in the list of potential beneficiaries of an organization’s services, local businesses and business associations could not be included in this regard. In addition, if an organization were to provide services to political parties or their affiliates, the services must be made equally available to all political parties and the services cannot be provided in a partisan manner.

5. The requirement to ensure that funds are transferred only to other qualified donees

While charities can pay for services rendered to them and can appoint agents or contractors to carry out charitable services on their behalf in accordance with CRA requirements, Canadian charities can only gift monies to other registered charities or qualified donees. While the term “charities” includes charitable organizations, public and private foundations, the term “qualified donees” encompasses a broader category of organizations. As set out in the CRA Summary Policy on qualified donees (CSP - Q01) dated October 25, 2002, qualified donees are organizations that can issue official donation receipts for gifts that individuals and corporations make to them and include the following:

- registered charities;
- registered Canadian amateur athletic associations;
- housing corporations resident in Canada constituted exclusively to provide low-cost housing for the aged;
- Canadian municipalities;
- the United Nations and its agencies;
- a university that is outside Canada that is prescribed to be a university the student body of which ordinarily includes students from Canada;

- charitable organizations outside Canada to which Her Majesty in right of Canada has made a gift during the fiscal period or in the 12 months immediately preceding the period; and
- Her Majesty in right of Canada or a province.

C. CONCLUDING COMMENTS

In light of the release of the above noted CRA policies, organizations that wish to promote volunteerism in the community-at-large by carrying out broad-based activities can potentially qualify for charitable status under the *Income Tax Act* (Canada). For further information on whether an organization would qualify for charitable registration under this category, reference can be made to the CRA policy entitled *Summary Policy on Volunteerism*, CSP-V02 (May 6, 2008) available online at the following internet address: <http://www.cra-arc.gc.ca/tax/charities/policy/csp/csp-v02-e.html>.