

2002 Church and The Law Seminar – November 5, 2002

Charities and New Developments in Tax Administration by CCRA

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Outline

- n Related Business
- n Advocacy and Political Activities
- n Other...

Related Business

- n Charities are tax-exempt, and tax assisted.
- n Charities can, in certain cases, become involved in certain kinds of business activities that are normally carried on by tax-paying entities.
- n Charities cannot, because of their privileged tax position, engage in *any* activity because tax-paying businesses would be at a disadvantage

Definition of 'business' for the purpose of rules on charities in the ITA

- n **Business = seeking revenue by providing goods and services for a fee**
 - Charitable programs are not business activities
 - Asking for, and receiving donations is not a business activity
 - Converting donated goods into cash is not a business activity

Definition of 'business' Fund-Raising Events

- Clear start and end points
- Do not recur with regularity and frequency
- Primary purpose is to raise money for charitable programs
- Clients are aware of the purpose of the events
- Typically staffed by volunteers
- Typically goods and services not normally sold by for-profit companies

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Definition of 'business'

Managing an investment portfolio

- n Charities need to invest any funds not required for current operations. Charities must manage assets to obtain the best return within the bounds of prudent investment principles.

- n CCRA will not normally consider this as a business activity, providing facts show that the investment activities are ancillary to the organization's charitable activities.

What is a related business?

- n Related businesses are those that are connected to a charitable purpose and subordinate to that purpose

A related business is connected to a charity's purposes if...

- n A usual and necessary concomitant of core programs
- n An off-shoot of a core program
- n A use of excess capacity

A related business is subordinate to a charity's purposes if...

- n Minor portion of the charity's attention
- n Integrated into the charity's operations
- n Charitable goals continue to dominate decision-making
- n No private benefit element

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The political activities of registered charities

Under consideration

- n Charities can attempt to influence public opinion on issues relevant to their mandate
 - Some limits if there is an underlying political motive – i.e., changing the law or govt. policy
- n Existence of an express political intent (e.g., a call to action) will create a rebuttable presumption of political activity
- n 10% = safe harbour
 - Can be exceeded exceptionally
 - Averaging provisions
 - More flexible provisions for smaller charities
- n Ability to lobby legislators through constructive policy input

New Publication

- n Policy will attempt to help with subtle distinctions through series of examples

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