
THE 2008 ANNUAL CHURCH & CHARITY LAW™ SEMINAR

Toronto – November 6, 2008

Canada Revenue Agency: Charities Directorate Update

By Terry de March

Director General, Charities Directorate, Canada Revenue Agency

CARTERS.ca

CARTERS PROFESSIONAL CORPORATION

Société professionnelle Carters

Barristers, Solicitors & Trade-mark Agents

Affiliated with **Fasken Martineau DuMoulin LLP**

Avocats et agents de marques de commerce

Affilié avec Fasken Martineau DuMoulin S.E.N.C.R.L., s.r.l.

Offices / Bureaux

Ottawa (613) 235-4774

Mississauga (905) 306-2791

Orangeville (519) 942-0001

Toll Free: 1-877-942-0001

By Appointment / Par rendez-vous

Toronto (416) 675-3766

London (519) 937-2333

Guelph (519) 838-2004

Vancouver (877) 942-0001

www.charitylaw.ca



**Canada Revenue Agency:
Charities Directorate Update**

by Terry deMarch, Director General, Charities Directorate
Church and Charity Law Seminar - 2008

Today's Presentation

- Charities Directorate overview
- Review of 2007-2008:
 - Regulatory changes
 - Court activity
 - Initiatives
 - Policy developments
- Operational Issues, Strategies and Progress
- Looking ahead – 2009 and Beyond

2

Charities Directorate Overview

- Role of Charities Directorate:
 - Charities Directorate is the federal regulator responsible for ensuring that administration of the charities tax incentive under the Income Tax Act
 - Registers and monitors charities, Canadian amateur athletic associations, and national arts service organizations

3

Regulatory Changes

- New Form T3010B, *Registered Charity Information Return*
 - Balance reducing administrative burden with compliance and public transparency needs
 - Now a simple core form with topic related schedules that provide greater detail
 - Eliminates detailed financial requirements for smaller charities not engaged in higher risk activities
 - New thresholds means more charities only need complete core form
 - For use in fiscal years ending on or after January 1, 2009

4

Regulatory Changes

- Disbursement Quota
 - An information campaign is underway to remind charitable organizations registered before March 23 2004 that additional requirement to disburse 3.5% of assets not used in charitable activities or administration applies as of January 2009
- Proposed Legislative Amendments
 - “Split-receipting” legislation, changes to determining factors for designations
 - Tax shelter rules regarding deemed FMV and repayment of limited recourse debts
 - CRA is applying “split-receipting” rules, and designation changes including the “control test”

5

Court Activity

- Supreme Court
 - A.Y.S.A. Amateur Youth Soccer Association - Court upheld that promotion of sport is not a charitable purpose in its own right
 - Redeemer Foundation – concerning audit powers, Court determined that donor lists are part of a charity’s books and records which the CRA can obtain without judicial authorization

6

Court Activity

- Federal Court of Appeal
 - Two significant decisions that support the CRA expediting revocation of charities involved in abusive tax shelter arrangements
 - April 2008, International Charity Association Network (ICAN), and in October 2008, Choson Kallah Fund of Toronto
 - In both cases, the Court dismissed the charities' applications to delay revocation until their objections against the intention to revoke were decided

7

Court Activity

- Tax Court
 - December 2007, the Court upheld the CRA's first suspension of a charity's authority to issue donation receipts
 - International Charity Association Network (ICAN) was suspended for failure to maintain adequate books and records

8

Initiative – Small and Rural Charities

- Launched to better understand the unique service needs and compliance challenges of small and rural charitable organizations.
- Report and Joint Action Plan "Small and Rural Charities: Making a Difference for Canadians" released June 2008
- Goal is to improve and enhance services and reduce the administrative burden for small and rural charities
- The Charities Directorate has begun implementing the Joint Action Plan by making improvements to its Web site and developing new educational tools for charities

9

Policy Developments

- Policies published in 2007-2008:
 - Charitable work and ethnocultural groups
 - Promotion of volunteerism
 - Umbrella organizations
- Policies and guidelines in development 2008-2009:
 - Consultations on proposed guidelines for
 - Research as a charity
 - Sport
 - Fundraising
 - Religion
 - Protection of the Environment
- Model Objects:
 - List of charitable objects, acceptable for registration, were posted to Charities Web site May 2008.

10

Operational Issues - Compliance

- Registered Charities and Tax Shelters - CRA's Approach:
 - Re-assessment of participants
 - Audit of all participating charities
- Statistics
 - 60 registered charities and RCAAAs identified as being involved
 - 36 audits in progress
 - Audits completed/closed to date have resulted in:
 - 15 revocations
 - 5 closed – minimal involvement
 - 2 compliance agreements
 - 2 education letters

11

Operational Issues – Compliance

- Five major compliance issues (2007-2008)

Donation receipts Incomplete / inaccurate / false	89%
T-3010 returns Incomplete / inaccurate information	72%
Books and records Insufficient or non-existent	71%
Gifting to non-qualified donees	16%
Non charitable objects/activities	13%

12

Operational Issues - Compliance

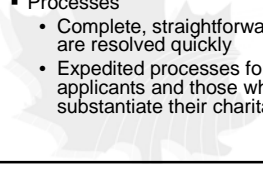
- Filing Compliance
 - For 2006 information returns, 80% of 82,690 charities filed on time
 - In 2007, sharp decline in number of charities revoked for failure to file – 771 down from 1, 693 in 2006
 - Intensified efforts to directly contact charities to remind them of filing obligations



13

Operational Issues - Assessment, Determinations and Monitoring

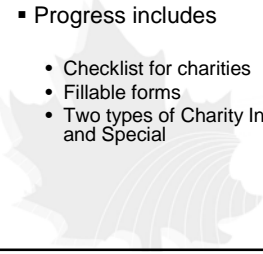
- Challenge to reduce large inventory and minimize delays in determining eligibility for registration
- Communication
 - Enhancing Web site information on applying for registration
 - Post tips for reducing delays
 - Model Objects
- Processes
 - Complete, straightforward qualifying applicants are resolved quickly
 - Expedited processes for clearly non-charitable applicants and those which do not clearly substantiate their charitable nature



14

Operational Issues - Client Service

- Continuing to enhance services and delivery
- Redesign of Charities and Giving Web site
- Progress includes
 - Checklist for charities
 - Fillable forms
 - Two types of Charity Information Sessions – General and Special



15

Looking Ahead: 2009 and Beyond

- Directing efforts to reducing inventories and delays in resolving applications
- Aggressively addressing all tax shelter abuse by registered organizations which threatens the integrity of tax system



16

Looking Ahead: 2009 and Beyond

- Build on technology to improve service to charities and minimize administrative demands
 - My BA (Business Account) - The Charities Directorate is planning to release a basic suite of services for registered charities in October 2009
 - 2D bar coding of annual return - Two Dimensional bar coding will be introduced with the T3010B (09) allowing information to be scanned and directly recorded in CRA database



17

Looking Ahead: 2009 and Beyond

- Continue implementing Joint Action Plan from Small and Rural Charities Report
- Actively consult with external stakeholders when developing new policies and identifying technical issues
- Ongoing enhancements to Web site



18