

**CARTERS**

BARRISTERS  
SOLICITORS  
TRADEMARK AGENTS

# The 24<sup>th</sup> Annual *Church & Charity Law*<sup>™</sup> Seminar

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## CHALLENGES IN REGULATING THE CHARITABLE SECTOR: LOOKING BACK AND GOING FORWARD

By Tony Manconi, B.A.  
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## Challenges in Regulating the Charitable Sector: Looking Back and Going Forward

by Tony Manconi, Director General



Canada Revenue Agency / Agence des Revenus du Canada


## The past

- ✦ The *War Charities Act* of 1917;
- ✦ 1962: the Department of National Revenue maintained lists of registered charities, but had no formal registration process;
- ✦ 1966: legislated registration process, reporting requirement, and donation receipt requirements;
- ✦ From 'the Charitable Organizations section' with 4 employees to the Charities Directorate with 282 employees.

## Today

The Charities Directorate, administers a system to register charities under the *Income Tax Act*. As the regulator of charities, the CRA's responsibilities include:

- ✦ processing applications for registration;
- ✦ offering technical advice on operating a charity;
- ✦ handling audit and compliance activities; and
- ✦ providing general information to the public.




**Our goal:** to promote compliance through education, quality service and responsible enforcement.

In accomplishing this goal, the charitable sector will be supported in advancing the social well-being of Canadians.


## What we've been up to and what to expect going forward

### Registering charities




- ✦ Focusing on client service: changes to our letters, [new online tools](#), new processes;
  - ✦ For example, mini-quiz and application checklist.
- ✦ Going forward: modernize our approach to screening and reviewing applications for charitable registration and reduce wait time by:
  - ✦ moving towards one service standard regardless of the complexity of the application;
  - ✦ phasing out the ability to submit a draft application; and
  - ✦ working with our provincial and territorial partners to update the information they provide on registration as a charity at the federal level.

## Engaging with the sector



- ✦ Strategy to streamline procedures to ensure the most efficient and timely service to clients;
- ✦ New tool for [public document requests](#);
- ✦ New innovative [videos](#) on topics of concern to the charitable sector;
  - ✦ Services: Are they receiptable?
  - ✦ Services: Website and software
- ✦ Other forms of innovative outreach: video tweets, graphic visual representations ([infographics](#)), website renewal.



## Educating the sector

- ✦ Through Q & A (i.e. disaster relief);
- ✦ New guidance:
  - ✦ Relieving conditions attributable to being aged and charitable registration
  - ✦ Prescribed Universities;
- ✦ Going forward, we plan to update the following guidance:
  - ✦ the advancement of education
  - ✦ the relief of poverty
  - ✦ the protection of the environment
  - ✦ private benefit
  - ✦ related business

## Political activities consultations

### What we did to clarify the rules on political activities:

- In-person and online consultations.
- We received 19,990 submissions from charities and individuals, and
- We met with 167 representatives from the charitable sector.

### What we did with the feedback:

- Feedback was reviewed by the Consultation Panel on Political Activities of Charities

### What we did in response to the Panel's Report:

- Suspension of all remaining audits and objections that were part of the Political Activities Audit Program;
- Currently reviewing the report and preparing a response.

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## Protecting charities from terrorist abuse

- Focusing on working to combat support for terrorist financing within charities: Participating in the Financial Action Task Force.
- Working to enhance our public outreach regarding the risk of terrorist abuse in the charitable sector.

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## Monitoring charities

- New business intelligence and analytics team to better target audits to cases of serious non-compliance;
- Charity Education Program (CEP)
  - Designed to provide in-person support and information to charities;
  - Visits will involve: information sharing, books and records review, and summary of findings and recommendations;
  - CEP ≠ audit;
  - CEP will allow us to:
    - double our compliance coverage of the sector
    - reduce the burden of a full audit on charities where it is not warranted
    - engage with a larger number of charities.

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## International Regulators' conference

- Ensures we have a pulse on how charities and regulators abroad are functioning – allows us to remain current and responsive.



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## New Strategic planning and program development team

- Goal: ensure that resources are aligned with the right priorities so that day-to-day responsibilities, emerging priorities and long-term program objectives can all be met;
- Ongoing priorities:
  - Identifying strategies to address evolving priorities impacting the future direction of the program;
  - Drafting a forward looking business plan, setting out the strategic priorities and objectives;
  - Enhancing consistent program delivery;
  - Identifying the scope of broad-reaching program challenges and providing options for resolution; and
  - Leading innovation projects.

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## Challenges

### Constitutional framework

- The responsibility for managing the operations of charities falls to provinces and territories;
- Provinces have limited their involvement in regulating charities;
- The federal government deals with aspects of the regulatory regime for charities through its powers of taxation;
- CRA has become the *de facto* regulator.

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## Challenges cont'd

### Continuous environmental changes

- The charitable sector is evolving and we as a Regulator need to keep pace with the changing environment;
- Three themes stand out:
  - Charities have had to evolve and be more innovative in generating income;
  - Charities have had to be more strategic in how they deliver their programs to meet demands and maximize resources;
  - There is a need for more clarity to help charities understand and comply with the rules of registration.

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## Challenges cont'd

### Common Law

- Creates precedents to follow;
- Helps clarify grey areas;
- Decline in case law = need for more administrative positions.

### Policy Development

- Broad-reaching impacts on other government departments affect policy development

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## The future

### A few items on our agenda for the year ahead:

- Strategic planning: roadmap and business plan;
- Charities modernization project: e-services;

#### What is CHAMP?

- Project that will modernize the services we offer to Canadian charities starting in November 2018.
- Through the My Business Account (MyBA) secure online portal, charities will be able to:

- Apply for registration
- File annual returns (T3010)
- Update account information and upload documents
- Correspond with us electronically

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Accessed through My Business Account

<b>My Business Account</b> Communications Message Centre Submit documents Audit Enquiries Manage Representatives Online mail Addresses Direct deposit Operating names Profile View Direct deposit transactions Operating names Mail Make payments Pre-authorized debit My payment Resources Help with this page Provincial partners Nova Scotia	<b>Welcome Charity ABC</b> <span>Logout</span> Select a Business Number (BN) <input type="text" value="123456789"/> <span>Access BN</span> Charity ABC Message Centre You have 1 unread message. Registered Charity #123456789 Apply for registration View application status Efile a return Abort my return View expected and filed returns View My Charity Details Update registered charity information Manage address GST/HST #123456789
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### A few items on our agenda for the year ahead (cont'd):

- Innovation lab on late filing: ongoing initiatives;
- Charities Annual Report;
- Social enterprise and revenue generation: working with ESDC and Finance to develop a strategy; and reviewing and updating policy guidance on these topics;

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Final Thoughts

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