
EXCITING PROPOSED CHANGES IN FEDERAL GOVERNMENT 2018 FALL ECONOMIC STATEMENT

*By Theresa L.M. Man and Terrance S. Carter**

A. INTRODUCTION

On November 21, 2018, the Department of Finance released the 2018 Fall Economic Statement (“Economic Statement”)¹ proposing changes to maintain and develop the economic health of the country. In particular, the Economic Statement introduces a number of important proposed changes benefiting the charitable and not-for-profit sector. These proposals include changes to the regulation of charities to enhance public policy development; the creation of a social finance fund; and several initiatives to better support the non-profit journalism and news sector. These are welcome changes, and the charitable and not-for-profit sector will want to keep an eye out for upcoming legislation that will bring the Government’s proposals into effect.

B. ENABLING STRONGER ROLE FOR CHARITIES TO PARTICIPATE IN PUBLIC POLICY DEVELOPMENT

Acknowledging the important role that charities have in advocating for social and environmental change, the Government recognized the need for a regulatory environment that “respects and encourages the full participation of charities in public policy dialogue and development.”² In this regard, the Economic

* Theresa LM Man, B.Sc., M.Mus., LL.B., LL.M., is a partner practicing in the area of charity and not-for-profit law. Terrance S Carter, B.A., LL.B., TEP, Trade-Mark Agent, is the managing partner of Carters, and counsel to Fasken on charitable matters. The authors would like to thank Christina Shum, B.M.T., J.D., Student-at-Law for her assistance in preparing this Bulletin.

¹ Canada, Department of Finance, “2018 Fall Economic Statement: Investing in Middle Class Jobs” (21 November 2018), online: <<https://www.budget.gc.ca/fes-eea/2018/docs/statement-enonce/fes-eea-2018-eng.pdf>> [Economic Statement].

² *Ibid* at 36.

Statement confirms the Government's commitment to allow charities to engage more fully in public policy dialogue.

Prior to the release of the Economic Statement, the Government had committed to clarifying the rules governing political activities by charities. Further to this, in a joint statement on August 15, 2018, the Honourable Diane LeBouthillier, Minister of National Revenue, and the Honourable Bill Morneau, Minister of Finance, announced that the Government would amend the *Income Tax Act* to remove the quantitative limits on political activities.³ Draft amendments in this regard were released on September 14, 2018, which were revised in the release on October 29, 2018, through Bill C-86, the *Budget Implementation Act, 2018, No. 2*. These changes are reviewed in the November 2018 *Charity & NFP Law Bulletin* No. 434.⁴

C. ESTABLISHING A PERMANENT ADVISORY COMMITTEE

The Government also committed to establishing a permanent Advisory Committee on the Charitable Sector to provide advice to the Government with respect to important issues facing the charitable sector. The Advisory Committee would engage in a meaningful dialogue with charities in order to ensure that the regulatory environment in which they operate is appropriate and supports the important work they do. It is intended that consulting regularly with charities on key regulatory issues would improve the charitable sector's understanding of and compliance with existing rules and requirements. As a result, over time, the Advisory Committee would be able to influence administrative policies and legislative rules affecting the charitable sector.

³ Canada, Department of Finance, "Statement by the Minister of National Revenue and Minister of Finance on the Government's Commitment to Clarifying the Rules Governing the Political Activities of Charities" (15 August 2018) online: <<https://www.fin.gc.ca/n18/18-072-eng.asp>>.

⁴ Terrance S Carter & Ryan M Prendergast, *Charity & NFP Law Bulletin* No. 434, "New Draft Legislation Permits Public Policy Dialogue by Charities Without Limitation" (2 November 2018) online: Carters Professional Corporation <<http://www.carters.ca/pub/bulletin/charity/2018/chylb434.pdf>>; For more information, see Terrance S Carter & Ryan M Prendergast, *Charity & NFP Law Bulletin* No. 428, "Draft Income Tax Act Changes Proposed for Political Activities by Charities" (27 September 2018) online: Carters Professional Corporation <<http://www.carters.ca/pub/bulletin/charity/2018/chylb428.pdf>>.

This commitment is in response to recommendations of the Consultation Panel on the Political Activities of Charities⁵ and the Social Innovation and Social Finance Strategy Co-Creation Steering Group.⁶ The Advisory Committee will be led by the Canada Revenue Agency and comprised of stakeholders from the charitable sector. The Government has committed to provide \$4.6 million between 2018-19 and 2023-24 for the Advisory Committee.⁷

D. ESTABLISHING A SOCIAL FINANCE FUND

The Government proposed to provide up to \$755 million on a cash basis over a period of 10 years to establish a Social Finance Fund. The Fund would be used to benefit charitable, non-profit, and other social purpose organizations in two ways: (1) to have access to new funding, and (2) to be connected with private investors who are looking to invest in projects that further social change.⁸ Creating a Social Finance Fund was one of the key recommendations by the Social Innovation and Social Finance Strategy Co-Creation Steering Group (comprised of experts in the charitable and not-for-profit sector with the task of providing recommendations to the Government with respect to the development of social innovation and social finance strategy).⁹ The Government also proposed to invest \$50 million over two years in an Investment and Readiness stream, for social purpose organizations to improve their ability to successfully participate in the social finance market. Further details on the funding will be released in 2019.

E. SUPPORTING JOURNALISM AND NEWS ORGANIZATIONS

The Government recognized in the 2018 Federal Budget (“Budget 2018”) the need for local journalism in many communities in light of increased use of online news and use of social media. In Budget 2018, the Government proposed to provide \$50 million over five years to support continued existence of news

⁵ For more information on the Consultation Panel on the Political Activities of Charities’ recommendations, see Terrance S Carter, Jennifer M Leddy & Ryan Prendergast, *Charity & NFP Law Bulletin* No. 403, “Sweeping Changes Recommended in Report on Political Activities” (25 May 2017) online: Carters Professional Corporation <<http://www.carters.ca/pub/bulletin/charity/2017/chylb403.pdf>>.

⁶ For more information on the Social Innovation and Social Finance Strategy Co-Creation Steering Group’s recommendations, see Terrance S Carter, *Charity & NFP Law Update*, “Recommendations for a Canadian Social Innovation and Social Finance Strategy” (September 2018) online: <<http://www.carters.ca/pub/update/charity/18/sep18.pdf>>.

⁷ Economic Statement, *supra* note 1 at 37.

⁸ *Ibid* at 38.

⁹ Canada, Social Innovation and Social Finance Strategy Co-Creation Steering Group, *Inclusive innovation: New Ideas and New Partnerships for Stronger Communities*, (4 September 2018) online: <<https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/reports/recommendations-what-we-heard.html>>.

sources that provide “trusted, local perspectives, as well as accountability in local communities.”¹⁰ Budget 2018 also indicated that the Government would be considering new models to enable private giving and philanthropy for “trusted, professional, non-profit journalism and local news”.¹¹ See *Charity & NFP Law Bulletin* No. 417 for details.¹²

In order to ensure Canadians’ continued access to informed and reliable civic journalism, the Economic Statement announced the following three new measures¹³ that will cost the Government an estimated \$595 million over the next five years. Details on these initiatives will be provided in the 2019 Federal Budget.¹⁴

- New category of qualified donee for eligible non-profit journalism organizations – The Government intends to introduce a new category of qualified donee for non-profit journalism organizations that produce a wide variety of news and information of interest to Canadians. These eligible non-profit journalism organizations would then be able to issue official donation receipts to donors and be able to receive funding from registered charities.¹⁵
- Refundable tax credit for qualifying news organizations - The Government intends to introduce a new refundable tax credit for news organizations that produce a wide variety of news and information of interest to Canadians. The refundable credit will support labour costs associated with producing original news content and will generally be available to both non-profit and for-profit news organizations. An independent panel will be established from the news and journalism community to define eligibility for this tax credit and to provide advice on other measures. The effective date of the refundable tax credit will be set for January 1, 2019.¹⁶

¹⁰ Canada, *Budget 2018: Equality and Growth: A Strong Middle Class*, (27 February 2018) online: <<https://www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html>> at 183.

¹¹ *Ibid* at 184.

¹² Theresa LM Man, Esther SJ Oh, Ryan M Prendergast & Terrance S Carter, *Charity & NFP Law Bulletin* No. 417, “Federal Budget 2018: Impact on Charities and Not-for-Profits” (28 February 2018) online: <<http://www.carters.ca/pub/bulletin/charity/2018/chylb417.pdf>>.

¹³ Economic Statement, *supra* note 1 at 39 and 40.

¹⁴ *Ibid* at 41.

¹⁵ *Ibid* at 40.

¹⁶ *Ibid* at 41.

- Temporary non-refundable tax credit for subscribers of digital news media - The Government intends to introduce a new temporary, non-refundable 15% tax credit for qualifying subscribers of eligible digital news media in order to support Canadian digital news media organizations in achieving a more financially sustainable business model.¹⁷