

IMPACT OF THE 2024 FALL ECONOMIC STATEMENT ON THE CHARITABLE AND NOT- FOR-PROFIT SECTOR

*By Terrance S. Carter, Urshita Grover, Adriel Clayton and Cameron A. Axford **

A. INTRODUCTION

The Department of Finance (“Finance”), released the Federal Government’s *2024 Fall Economic Statement* on December 16, 2024.¹ While not the focus of the *2024 Fall Economic Statement*, there are a number of items which are of significance to both the charitable and not-for-profit (“NFP”) sector in the event that they are included in a future federal budget. Specifically, the *2024 Fall Economic Statement* proposes changes to reporting requirements for non-profit organizations (“NPOs”), confirms the Federal Government’s intention to proceed with relevant legislative proposals relating to tax measures and reproductive service charities, and states that the Government will initiate consultation and dialogue with NPOs regarding anti-money laundering/anti-terrorist financing practices and initiatives.

B. REPORTING BY NON-PROFIT ORGANIZATIONS

The *2024 Fall Economic Statement* proposes several changes to NPO reporting requirements to improve the Government’s goal of transparency in the sector. Broadly speaking, an NPO is any club, society or association that is organized for social welfare, civic improvement, pleasure or recreation or any other

* Terrance S. Carter, B.A., LL.B., TEP, Trademark Agent, is the managing partner of Carters Professional Corporation and counsel to Fasken on charitable matters. Urshita Grover, H.B.Sc., J.D., is an associate practicing charity and not-for-profit law. Adriel N. Clayton, B.A.(Hons.), J.D., is a partner at Carters and the lead of research and knowledge management. Cameron A. Axford, B.A.(Hons.), J.D., is an associate whose practice focuses on Carters’ knowledge management, research, and publications division.

¹ 2024 Fall Economic Statement: Reducing Everyday Costs and Raising Wages (16 December 2024), online *Government of Canada* <https://budget.canada.ca/update-miseajour/2024/home-accueil-en.html?utm_campaign=fin-fin-update-miseajour-24-25&utm_medium=canadacafeature>.

purpose except profit, and is defined more specifically in paragraph 149(1)(l) of the *Income Tax Act* (“ITA”). Similar to registered charities, NPOs are exempt from income tax under the ITA, but different rules apply. The *2024 Fall Economic Statement* proposes the following measures, which would apply to the 2026 and subsequent taxation years.

1. Changes to the Annual Return

NPOs claiming income tax exemptions currently have limited reporting obligations, requiring an annual information return only if: (i) the total of all passive income in the fiscal period exceeds \$10,000; (ii) the NPO’s total assets at the end of the preceding fiscal period exceeded \$200,000; or (iii) an information return was required to be filed for a preceding fiscal period. The *2024 Fall Economic Statement* proposes to amend the ITA to expand the requirement to file an annual information return to include NPOs with total gross revenues over \$50,000.

2. New Filing Requirement for Small NPOs

The *2024 Fall Economic Statement* proposes amending the ITA to require NPOs below the annual information return thresholds to file a new short-form return, providing basic details, such as business or trust number, the organization’s name, mailing address, directors’, officers’, trustees’ or other similar officials’ names, a description of its activities (including activities outside Canada), the organization’s assets, liabilities and annual revenues, and other prescribed information.

C. ENACTING LEGISLATIVE PROPOSALS

1. Changes to the *Income Tax Act* (Technical Amendments)

The *2024 Fall Economic Statement* proposes to enact various “legislative and regulatory proposals released on August 12, 2024.” Of particular note to the charitable and NFP sector are those relating to the ITA.

As discussed in *Charity & NFP Law Bulletin No. 528*,² trust reporting requirements under the ITA have undergone substantial changes in recent years. The August 12, 2024 draft legislative and regulatory

² Terrance S. Carter, Jacqueline M. Demczur and Adriel N. Clayton, *Charity & NFP Law Bulletin No. 528*, “Finance Proposes Complicated Amendments to Trust Reporting Requirements” (29 August 2024) online: *Carters Professional Corporation* <<https://www.carters.ca/pub/bulletin/charity/2024/chylb528.pdf>>.

proposals (the “Draft Legislation”) introduced further amendments to these rules, continuing the trend of increasing complexity and compliance obligations for trusts.

These changes are particularly relevant to charities and NFPs holding property in trust, as they may now be subject to additional disclosure requirements. The Draft Legislation follows earlier amendments introduced through Bill C-32, the *Fall Economic Statement Implementation Act, 2022*,³ which significantly expanded the trust reporting framework.

On October 29, 2024, the Canada Revenue Agency (“CRA”) announced that bare trusts are exempt from filing T3 returns, including Schedule 15, for the 2024 tax year unless directly requested, continuing the 2023 exemption, while other trusts remain subject to reporting requirements.

As the Government has indicated its intention to implement the Draft Legislation in the *2024 Fall Economic Statement*, charities and NFPs will have to continue to monitor the new obligations this may put on them going forward.

2. Changes to the *Income Tax Act* (Budget 2024 and Other Proposals)

In addition to technical amendments to the ITA, the Draft Legislation of August 12, 2024 that the *2024 Fall Economic Statement* proposes to enact includes various changes related to Budget 2024, all of which is discussed in greater detail in *Charity & NFP Law Bulletin No. 526*.⁴ Briefly stated, one proposed change includes partial relief to the alternative minimum tax (“AMT”) for donations to charities. Budget 2024 had proposed to allow taxpayers subject to the AMT to claim 80% of the charitable donation tax credit when calculating the AMT, instead of the previously proposed limit of 50%. Budget 2024 also proposed an exemption from the AMT for certain trusts.

Another proposed change was revisions to section 149.1 of the ITA to implement new requirements for foreign charities that are qualified donees. Further to this, the ITA would be amended to include a new

³ Bill C-32, An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 3, 2022 and certain provisions of the budget tabled in Parliament on April 7, 2022, 1st Sess, 44th Parl, 2022 (second reading completed 22 November 2022) [Bill C-32].

⁴ Terrance S. Carter, *et al.*, *Charity & NFP Law Bulletin No. 526*, “Federal Budget 2024: Impact on Charities and Not-For-Profits” (17 April 2024) online: *Carters Professional Corporation* <<https://www.carters.ca/pub/bulletin/charity/2024/chylb526.pdf>>.

definition for “registered foreign charity”, with further amendments to extend the registered status period from 24 months to 36 months and require registered foreign charities to file an information return.

The *2024 Fall Economic Statement* confirms the Government’s intent to proceed with this draft legislation.

3. Reproductive Service Charities

The *2024 Fall Economic Statement* states that the Government intends to proceed with the measures announced in the October 29, 2024 notice of ways and means motion regarding reproductive service charities, as discussed in the October 2024 *Charity & NFP Law Update*.⁵

On October 29, 2024, the Department of Finance released a backgrounder titled *Protecting reproductive freedom by preventing abuse of charitable status*, proposing amendments to the ITA aimed at increasing transparency for charities offering reproductive health services. The amendments would require charities to disclose, both in public communications and annual filings, if they do not provide abortion services, information on accessing such services, or contact information for abortion providers. Similar disclosure requirements would apply to charities that do not offer birth control services, a range of such services, or related information.

The definition of “public communication” is broad, covering advertisements, social media posts, websites, and physical materials like posters and billboards. Non-compliance could result in the Minister of National Revenue revoking a charity’s registration. Furthermore, the proposed subsection 149.1(29) of the ITA expands on proposed subsection 149.1(27) by requiring any charity that advertises or promotes the pregnancy-related services of another affected charity to disclose the same limitations, potentially ostracizing those charities and deterring others from association due to the risk of revocation, as discussed in the November 2024 *Charity & NFP Law Update*.⁶

⁵ Terrance S. Carter and Adriel N. Clayton, October 2024 *Charity & NFP Law Update*, “Legislation Update”, October 31, 2024, *Carters Professional Corporation*, online: <https://carters.ca/index.php?page_id=3581>.

⁶ Terrance S. Carter and Adriel N. Clayton, November 2024 *Charity & NFP Law Update*, “Legislation Update”, November 28, 2024, *Carters Professional Corporation*, online: <https://carters.ca/index.php?page_id=3593>.

If passed, the amendments would take effect 90 days after receiving Royal Assent, with disclosure obligations beginning in the 2025 taxation year. The proposal has sparked concerns about the potential politicization of charitable status and its broader implications for Canada's charitable sector and civil society.

D. AML/ATF CONSULTATION

The *2024 Fall Economic Statement* indicates that the Government intends to “to launch interdepartmental dialogues with non-profit organizations to deepen awareness, enhance communication, and better combat money laundering, terrorist financing, and sanctions evasion risks.” This is a welcomed development for the charitable and NFP sector, who often run the risk of inadvertently falling afoul of anti-money laundering/anti-terrorist financing laws, which can pose a significant risk to the organizations and their leadership. Hopefully increased input into these matters by the sector will lead to better outcomes in both the charitable/NFP and public security spheres.



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Toll Free: 1-877-942-0001

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