



# Report on the Charities Program 2015-2016



Canada Revenue Agency

Agence du revenu du Canada





# MESSAGE FROM THE MINISTER



## Message from the Minister of National Revenue

I am pleased to present the Canada Revenue Agency's (CRA's) first Report on the Charities Program. This report reflects our government's commitment to openness and transparency by showing how the CRA's Charities Directorate contributes to the effective regulation of charities.

Charities play an essential role in our society by working for the social well-being of Canadians and delivering key programs, often to those most in need. As Minister of National Revenue, my mandate letter entrusts me with creating a regulatory environment for charities that recognizes their value and supports their important endeavours. This report outlines the work done to date to fulfill this mandate and allow charities to operate in an environment that respects and encourages their contribution.

**The Honourable Diane LeBouthillier, P.C., M.P.**  
**Minister of National Revenue**

# MESSAGE FROM THE COMMISSIONER



## Message from the Commissioner of the Canada Revenue Agency

The CRA administers the Income Tax Act (Act) for all taxpayers, including registered charities. Registration as a charity under the Act comes with significant benefits, such as being exempt from income tax and the ability to issue official donation receipts. A fundamental aspect of the CRA's role as administrator is to protect public trust in the tax system and, with respect to registered charities, contribute to the integrity of the charitable sector. Transparency and accountability are cornerstones of charities regulation, which is why most information from the annual returns filed by registered charities is published on the CRA website. This first Report on the Charities Program is another means for the CRA to improve its own transparency by describing the inner workings of the regulatory process to charities and the public.

Registered charities have unique characteristics that in many ways set them apart from other taxpayers. The existence of a specific area for charities in the CRA, the Charities Directorate, reflects this uniqueness. The Directorate, with its specialized view of the charitable sector, is dedicated to fair, responsible, and independent regulation of registered charities in Canada.

**Bob Hamilton**  
**Commissioner of the Canada Revenue Agency**

# MESSAGE FROM THE DIRECTOR GENERAL



## Message from the Director General of the Charities Directorate

When I joined the Charities Directorate in July of this year, I was struck by the impact of the charitable sector, along with the scope of the Directorate's work. I was also very interested in learning more about the challenges facing the sector and how they may affect the Directorate's regulatory priorities. The primary objective of the Directorate is to register and regulate charities in a way that is professional, effective, informed, and fair. I am looking forward to meeting with sector stakeholders to ensure we are doing everything we can to meet this objective, and to ensure the Directorate's commitment to service respects and supports the valuable contribution charities make to society.

The Directorate regularly engages the sector through consultation and outreach activities, and continually looks for opportunities to share information and exchange ideas. This dialogue will make our services more responsive and improve our guidance products, so registered charities have the resources they need to do their good work. The Report on the Charities Program is a new way for us to strengthen these connections. This first edition describes the Directorate's program and achievements for 2015-16, along with our future plans.

**Tony Manconi**  
**Director General**  
**Charities Directorate**  
**Canada Revenue Agency**

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# THE CRA'S CHARITIES DIRECTORATE



Charities are a vital part of Canadian society, offering a remarkably diverse range of services to people in our country and around the world. Their activities include providing food and shelter to people living in poverty, operating schools, offering religious services, and running hospitals. The Income Tax Act (Act) provisions that apply to registered charities help promote charitable giving while protecting charities and the public from abuse.

The CRA is responsible for implementing the Act, and has long viewed charities as a specialized group of taxpayers with distinct characteristics and needs. Many of the regulatory functions relating to charities are housed in the Charities Directorate, which acts as a small scale version of the CRA within the CRA.

Headquartered in Ottawa, the Directorate is a national program with an annual operating budget of approximately \$29 million. It has 250 full-time employees organized into six divisions to meet its mandate and commitments. The Directorate's program includes:

- providing client service
- engaging in communications and outreach
- examining applications as a charity
- processing annual returns
- performing audits and enforcement activities
- contributing to the Government of Canada's efforts to ensure charities' resources do not support terrorism
- developing policy and technical guidance products

See the Appendix for more information about the structure and roles of the Charities program.

## Mission

The Directorate's mission is to promote compliance with the income tax legislation and regulations relating to charities through education, quality service, and responsible enforcement, thereby contributing to the integrity of the charitable sector and the social well-being of Canadians.

## Vision

The Directorate's vision is to be recognized and respected by charities, stakeholders, and the Canadian public for its integrity, fairness, knowledge, and innovative service delivery resulting in client-oriented service and compliance.

# THE CHARITABLE SECTOR



## Defining “charitable”

The CRA’s Charities Directorate uses the common law definition of charity developed by the courts to determine whether purposes and activities are charitable. Purposes describe an organization’s main aim or intent. Activities describe how the organization will accomplish its purposes.

To qualify for registration as a charity, an organization must be resident in Canada, its purposes must be exclusively charitable, and its activities must support its purposes. An organization must also be able to show that its purposes and activities will benefit the public and comply with public policy. This means that it could not, for example, operate to provide a benefit to private individuals, such as its members, or operate for the purpose of making a profit.

According to the common law, charitable purposes and activities must also fall under four “heads” or categories of charity:



### Relief of poverty

A charity with activities targeted at providing basic amenities, such as food, shelter, and clothing to the poor. For example, an organization providing funds to pay for poor children to participate in organized sports.



### Advancement of education

A charity with activities targeted at educating others in a way the law recognizes as charitable. For example, an organization providing computer training courses to the public.



### Advancement of religion

A charity with a religious belief system that meets certain criteria, along with activities targeted at advancing that religion. For example, an organization providing chaplaincy services in hospitals, prisons, and universities.



### Other purposes beneficial to the community

A charity with activities providing a tangible benefit to the community that the law has recognized as charitable such as promoting health, providing public amenities, and protecting the environment. For example, an organization relieving conditions associated with old age by providing facilities for the elderly.



## Qualified donees

Qualified donees are organizations that are able to issue official donation receipts. Registered charities and the following eight types of organizations are qualified donees:



Before 2011, registered charities (including Registered National Arts Service Organizations (RNASO)) and Registered Canadian Amateur Athletic Associations (RCAAA) were the only qualified donees that had to register with the CRA before being able to issue official donation receipts. The Act was then changed to require all remaining qualified donees to be registered with the CRA except Her Majesty in right of Canada, a province, or a territory, and the United Nations and its agencies. The Directorate now publishes a list of all registered qualified donees on its webpages.

## Business intelligence

The Directorate recognizes the value of business intelligence (BI) for strategic and operational planning. Analysing information from the annual return and internal data sources is a key component of the Directorate's work. This analysis enables the Directorate to make informed decisions on how to improve its policies and procedures for the benefit of charities and the public.

Here is a snapshot of Canada's charitable sector by the numbers:

# CANADA'S CHARITABLE SECTOR BY THE NUMBERS

TOTAL AMOUNT OF RECEIPTED DONATIONS

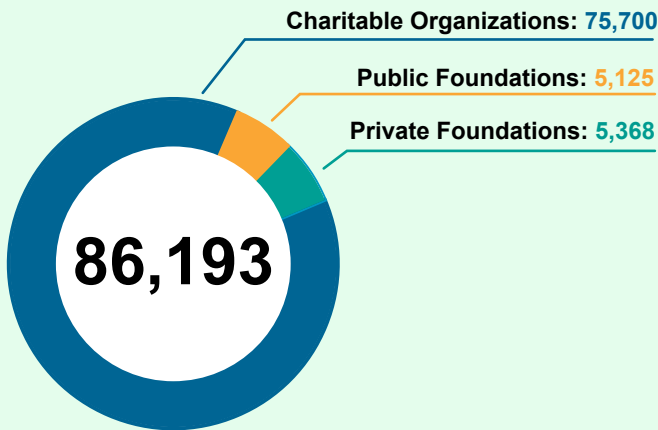
**\$15.7 BILLION**

INCLUDING

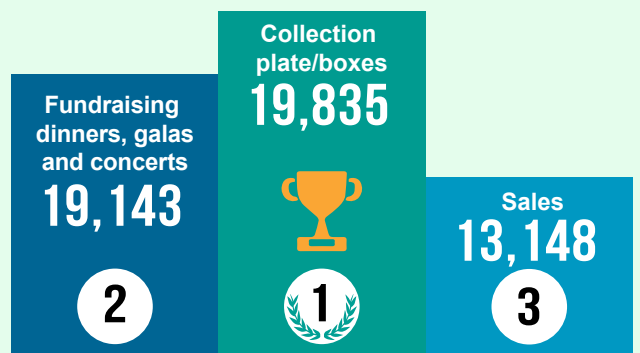
**\$2.4 BILLION**

IN NON-CASH GIFTS

Some of these figures were taken from annual return data filed by registered charities for the 2014 calendar year, as of July 30, 2016. Please note these self-reported figures have not been verified by the CRA.



## TOP FUNDRAISING METHODS



FILED THEIR RETURNS AHEAD OF DEADLINE

**64,312**



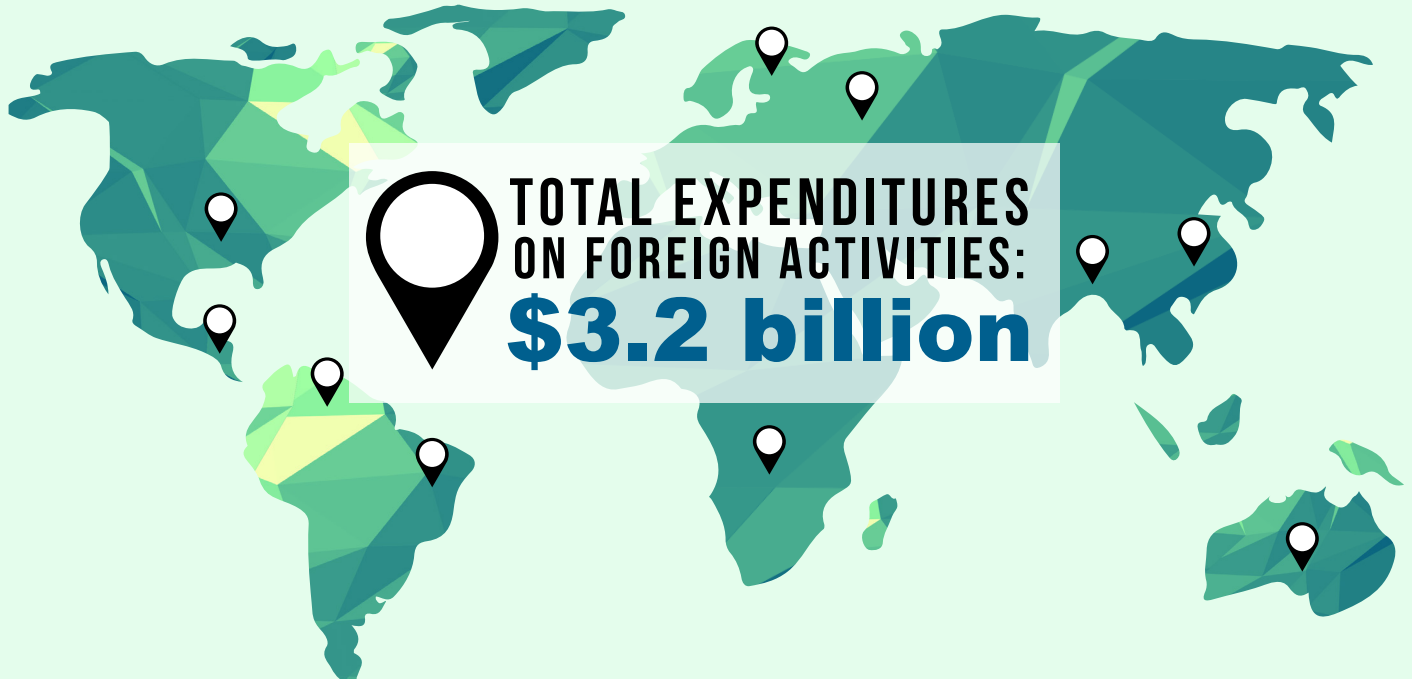
MORE THAN **40,000** REGISTERED CHARITIES OPERATE USING ONLY **VOLUNTEERS**

FILED THEIR RETURNS WITH NO FINANCIAL STATEMENTS

**6,571**



**5,395** Charities engaged in foreign activities



# THE REGULATORY PROCESS



Registration as a charity has many privileges, but it also comes with an obligation to follow the rules under the law. The CRA has a responsibility to protect the integrity of the tax system and the charitable sector by making sure all registered charities follow these rules.

The following contains information on the privileges and obligations of registration:

A REGISTERED CHARITY IS:	A REGISTERED CHARITY MUST:
<ul style="list-style-type: none"><li>• able to issue official donation receipts for gifts received</li><li>• exempt from paying income tax under Part I of the Act</li><li>• eligible to receive gifts from other registered charities</li><li>• exempt from paying goods and services tax/harmonized sales tax (GST/HST) on many goods and services the charity provides</li><li>• often able to claim a partial rebate for the GST/HST it pays</li></ul>	<ul style="list-style-type: none"><li>• devote its resources (funds, personnel, and property) to charitable purposes and activities</li><li>• file an annual return within six months of its fiscal period-end</li><li>• meet its annual spending requirement</li><li>• keep adequate books and records in Canada, and make them available for review by the CRA on request</li><li>• make sure that official donation receipts are complete and accurate</li><li>• control and direct the use of all its resources</li><li>• maintain its status as a legal entity (where applicable)</li></ul>

For more information on registering a charity, go to [www.cra.gc.ca/charityapplication](http://www.cra.gc.ca/charityapplication), on the CRA website.

## Applying for charitable registration

The CRA's Charities Directorate received the following number of applications for registration during the 2015-16 fiscal year:

TYPE OF APPLICATION	NUMBER IN 2015-16
Registrations – Charities	3484
Re-registrations – Charities	326
Registrations – RCAAAs and RNASOs	5
Re-registrations – RCAAAs and RNASOs	0

The Directorate made the following decisions on applications during the 2015-16 fiscal year:

APPLICATION DECISIONS	NUMBER IN 2015-16
Registration	1670
Incomplete	1165
Abandoned	473
Withdrawn	278
Final turn down	84

### Reasons for turning down applications

In 2015-16, 84 applications were found to be ineligible for charitable registration. The most common reasons applicants were not granted charitable status were:

45

#### Lack of information

The Directorate cannot determine whether an applicant is eligible for registration if the application does not include enough information on its structure, purposes, activities, and finances.

8

#### Promotion of sport

Sports programming is only charitable if it furthers a charitable purpose, such as sports offered as part of a school curriculum that advances education.



8

### **Activities do not support a charitable purpose**

An applicant must have exclusively charitable purposes and activities to be registered as a charity.



6

### **Resources provided to non-qualified donees**

A registered charity may only use its resources (funds, volunteers, employees, and/or property) in two ways; carrying out its own charitable activities or making gifts to qualified donees. An applicant that plans to provide resources to a non-qualified donee must maintain direction and control over how the non-qualified donee uses these resources; it cannot simply make a gift.

## **Monitoring charities: An education-first approach to compliance**

The Directorate is responsible for monitoring Canada's registered charities and ensuring they comply with the requirements of the Act. It provides charities with many resources to help them follow the rules on their own. For example, the Directorate provides guidance products, publications, and webinars on its webpages that explain how to operate a charity. Applicants and charities can call or write to client service agents at any time for assistance.

The Directorate audits registered charities as part of its monitoring efforts. Where appropriate, the Directorate uses an education-first approach when it finds non-compliance. The Directorate often sends letters to educate charities about compliance issues and how to resolve them.

The following image gives a general overview of the Directorate's audit process:

# AUDIT PROCESS FOR CHARITIES

## EDUCATION FIRST

THE CRA TAKES AN EDUCATION-FIRST APPROACH TO HELP REGISTERED CHARITIES FOLLOW THE RULES. THESE TOOLS HELP CHARITIES COMPLY:

- website
- outreach program
- client service
- reminder letters
- audit program



### SELECTION

## HOW IS A CHARITY SELECTED FOR AUDIT?

▶ OUT OF THE MORE THAN 86,000 REGISTERED CHARITIES, ABOUT 1% ARE AUDITED EACH YEAR.

## COMMON REASONS THE CRA SELECTS A CHARITY FOR AUDIT ARE:

- random selection
- complaints from public
- media articles or other public sources
- information from T3010 annual return
- past non-compliance



### AUDIT

## HOW DOES THE CRA AUDIT A CHARITY?

The CRA reviews the finances and programs of charities to make sure they follow the rules and operate for charitable purposes. The type of audit depends on the charity's size and complexity.

The CRA works closely with charities and accepts additional information throughout the process.

### OFFICE AUDIT

Conducted at CRA offices

#### EXAMINES:

- the charity's file
- publicly available information
- some books and records



### FIELD AUDIT

Conducted at the charity's place of business

#### EXAMINES:

- the charity's file
- publicly available information
- all books and records



### RESULT

## WHAT HAPPENS AFTER AN AUDIT?

▶ MORE THAN 90% OF AUDITED CHARITIES ARE ABLE TO CONTINUE THEIR CHARITABLE WORK.

If a charity disagrees with the CRA's findings, it can respond. The CRA reviews the response and determines the appropriate action.

### NO CONCERNS

- no action

### MINOR CONCERNS

- education letter

### MODERATE CONCERNS

- compliance agreement

### SERIOUS CONCERNS

- sanctions
- registration revoked
- registration annulled

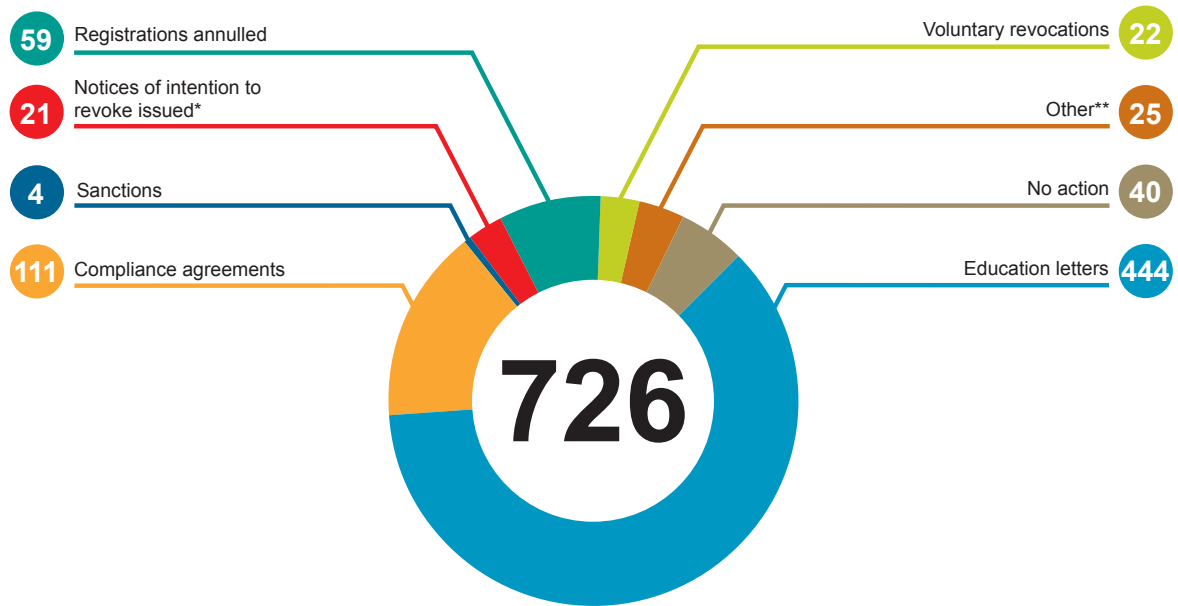


### RECOURSE

## WHAT CAN A CHARITY DO IF THE CRA PROPOSES SANCTIONS OR REVOCATION?

- The charity has 90 days to file an objection with the CRA's Appeals Branch.
- If the charity disagrees with the result of the objection, it can appeal to the Federal Court of Appeal or the Tax Court of Canada.

## Outcomes of the 726 audits completed in 2015-16



\*This figure includes situations where the audit is finished and the CRA intends to revoke the charity's registration, but has not yet done so.

\*\*Includes other audit activities such as pre-registration and revocation tax audits.

## Audit findings 2015-16

In 2015-16, the most commonly identified concerns following audits were:

### 1. Incorrectly issued donation receipts

Registered charities and other qualified donees may issue official donation receipts for the gifts they receive. These receipts must contain specific information.

Errors in issuing donation receipts are consistently the Directorate's top audit finding. This includes:

- mandatory information is missing
- the name and address of the charity on the receipt does not match the information filed with the CRA
- receipting practices are not properly controlled
- valuations for non-cash gifts are not supported

### 2. Annual return errors

Registered charities must file a complete and accurate annual return no later than six months after their fiscal period end. Return fields often contain errors or are left blank, such as:

- amount of gifts for which the charity issued tax receipts
- amount spent on charitable programs
- date of birth of each director/trustee

### 3. Inadequate books and records

Audits often find that registered charities do not maintain complete books and records. Common issues include:

- missing copies of donation receipts
- missing expense receipts
- banking and accounting details that do not match the information on annual returns

### 4. Non-charitable purposes and/or activities

Occasionally, audits find that registered charities have changed their programs or activities and that some of these changes are not authorized by their governing documents or are not charitable. Charities should contact the Directorate before making major changes to their purposes or programs. Also, charities must file any changes to their governing documents with the Directorate.

### 5. Non filing of T4/T4A slips

Registered charities with paid employees are required to file T4 and T4A slips. Audits often reveal that charities do not issue T4 or T4A slips or they do not maintain records of these documents.

The Directorate takes an “education first” approach to promoting compliance. However, it must also address serious compliance concerns. Complaints from the public help the Directorate find charities that are non-compliant.

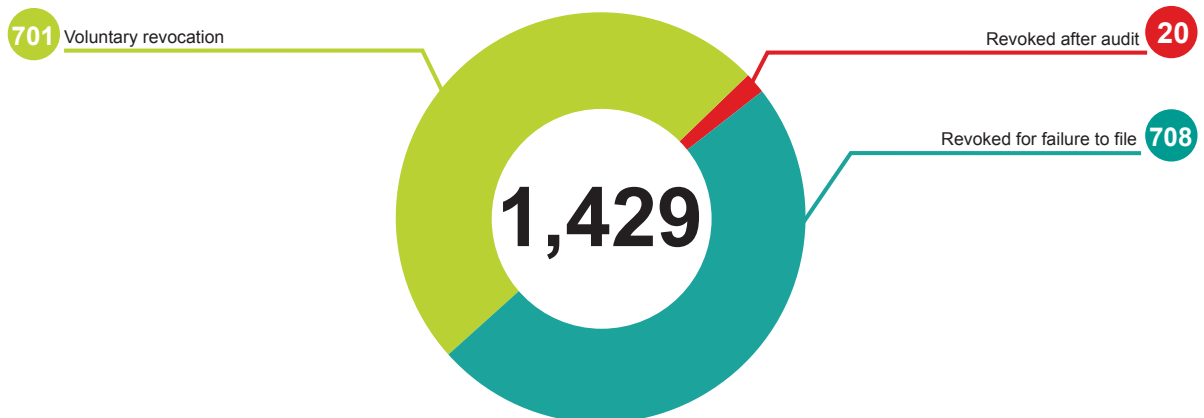
When the Directorate receives public complaints about a charity, it decides if it will conduct an audit based on the:

- type of non-compliance
- quality of the information received
- charity’s compliance history

Audits based on a public complaint often uncover more significant non-compliance issues than audits identified through other means.

## Revocations in 2015-16

In 2015-16, the Directorate revoked the registration of 1,429 charities. Most of these revocations were at the request of the charity, or because the charity did not file an annual return. Only 1.4% of revocations were as a result of an audit.





## Recourse

Registered charities and applicants for charitable registration may object to, and subsequently appeal, decisions of the Directorate. Providing an objection and appeal process ensures that the rules and principles governing charities are fairly applied. The objection process is a transparent and independent review of the Directorate's decisions by the CRA's Appeals Branch. If an organization disagrees with a decision on an objection, it has 30 days to appeal to the courts.

The Directorate's decision can be confirmed (upheld), vacated (reversed or overturned), or varied (modified). An objection can also be found invalid, such as when an organization files the objection late.

Prior to 2012-13, the Directorate would deny charitable registration using a simple final turn down letter when an applicant did not respond to the Directorate's request for more information about their organization. When applicants objected to these decisions, they often provided the information they did not give the Directorate. This resulted in some of the Directorate's decisions being vacated during the objection process. Since 2012-13, an application is simply considered "abandoned" when an applicant organization does not respond to the Directorate's request for information. This process change has led to a decrease in objections filed and decisions vacated.

## Summary of objections outcomes

DIRECTORATE DECISION	OBJECTION OUTCOME			OBJECTIONS UNDER REVIEW
	CONFIRMED	VACATED	VARIED	
Final turn down	210	82	N/A	22
Notice of intention to revoke for cause	100	10	N/A	25
Notice of intention to revoke for non-filing	8	4	N/A	1
Revocation tax	19	58	12	20
Late-filing penalty (\$500.00)	42	3	N/A	0
Other*	11	2	2	11
<b>Total**</b>	<b>390</b>	<b>159</b>	<b>14</b>	<b>79</b>

\*Other notices relate to designation, annulment, excess corporate holdings, loss of corporate status, penalties, and suspension of receipting privileges.

\*\*138 objections were found to be invalid.

Figures from June 12, 2005 to March 31, 2016

Most of the Directorate's decisions cannot be "varied". However, the revocation tax decisions can vary because a charity's financial information can change in the time between the initial decision and when the objection is reviewed. For example, by transferring its assets to an eligible donee, the charity will reduce the revocation tax owing.

Under the Act, an eligible donee is a registered charity:

- that is not subject to a suspension of tax-receipting privileges
- that is not subject to a security certificate under the Charities Registration (Security Information) Act
- that has no unpaid liabilities under the Act or Excise Tax Act
- that has filed all of its information returns
- of which more than 50% of the members of the board of directors or trustees deal at arm's length with each member of the board of directors or trustees of the particular charity

Appeals are made to either the Federal Court of Appeal or the Tax Court of Canada depending on the type of notice (decision) sent by the Directorate:

- Federal Court of Appeal
  - Notice of refusal to register
  - Notice of intention to revoke
  - Notice of a designation
  - Notice of annulment
- Tax Court of Canada
  - Notice of assessment
  - Notice of suspension of receipting privileges

# OUTREACH AND ENGAGEMENT



The CRA's Charities Directorate is committed to being transparent and accountable to the public about its own activities as well as the activities of charities. It does this by regularly engaging with the sector and public through outreach activities. Through these efforts, the Directorate provides tools to charities that help them voluntarily comply with the requirements of the Act. It also provides certain information about charities to the public on request.

## Public and charitable sector outreach initiatives

In 2015-16, the Directorate reviewed its outreach program to assess its effectiveness. This review considered product quality, impact, and ease of understanding. As a result, the Directorate will be:

- improving the Charities and giving webpages and its online products
- exploring ways to expand the use and promotion of social media and other electronic communications
- working with partners in the sector, including academics, professional associations and umbrella organizations, to increase the reach of its message

The Directorate has already started work on these initiatives. For example, it:

- is updating its webpages to ensure all information is easier to understand and reflects the online behaviour of users
- developed a self-assessment tool to help applicants make an informed decision about whether registration is right for them
- developed electronic tools to make it easier for the public to request information about charities from the Directorate, such as
  - a charities listings request form
  - a request form for registered charity information

## Participating and consulting

The Directorate values its connection with charitable sector stakeholders. Over the last year, the Directorate participated in events, consultations, and projects to communicate with stakeholders and to better understand the challenges they face.

## Guidance products

The Directorate develops and publishes guidance products on charity law topics to help explain the requirements of the Act and the common law that apply to registered charities. It determines the topics that require clarification and guidance by:

- analysing legislative developments
- monitoring case law
- considering feedback from the charitable sector
- examining findings from its internal business intelligence

The Directorate reviews each new guidance product approximately one year after it is published. This “post-implementation” review considers feedback from internal and external sources to improve the product and ensure it achieves its purpose. Recently, the Directorate completed a post-implementation review of its arts and health guidance products.

## Anti-terrorist financing initiatives

The Directorate is a member of Canada’s anti-money laundering and anti-terrorist financing regime. In this role, it helps fulfil Canada’s international commitment to fight terrorist financing by sharing its expertise on Canada’s compliance with the international counter-terrorist financing standards set by the Financial Action Task Force (FATF).

The Directorate also participates in FATF projects. It recently analyzed case studies from a number of countries to identify risks within the non-profit and charitable sector. It drafted the report *Risk of Terrorist Abuse in Non-Profit Organisations*, which was published by FATF in June 2014. Based on the results of the June 2014 report, the Directorate helped revise the FATF best practices paper, *Combating the Abuse of Non-Profit Organisations*, in June 2015. This paper aims to help countries effectively respond to terrorist financing risks in the charitable sector, and will be used by the Directorate to promote awareness of these risks for charities.

The Directorate’s work is also guiding revisions to the FATF standard concerning charities. These revisions will make sure this standard reflects current threats, as well as recent governmental and sector efforts to protect charities from terrorist abuse. The Directorate posted a notice on its webpages encouraging Canadian charities to participate in the revision process.

# WHAT'S NEXT



## Political activities

Charities make a valuable contribution to public policy. For this reason, the Act gives charities the right to engage in a limited amount of non-partisan political activities. The role of the CRA's Charities Directorate is to make sure charities have the information they need to contribute to public policy while respecting the law.

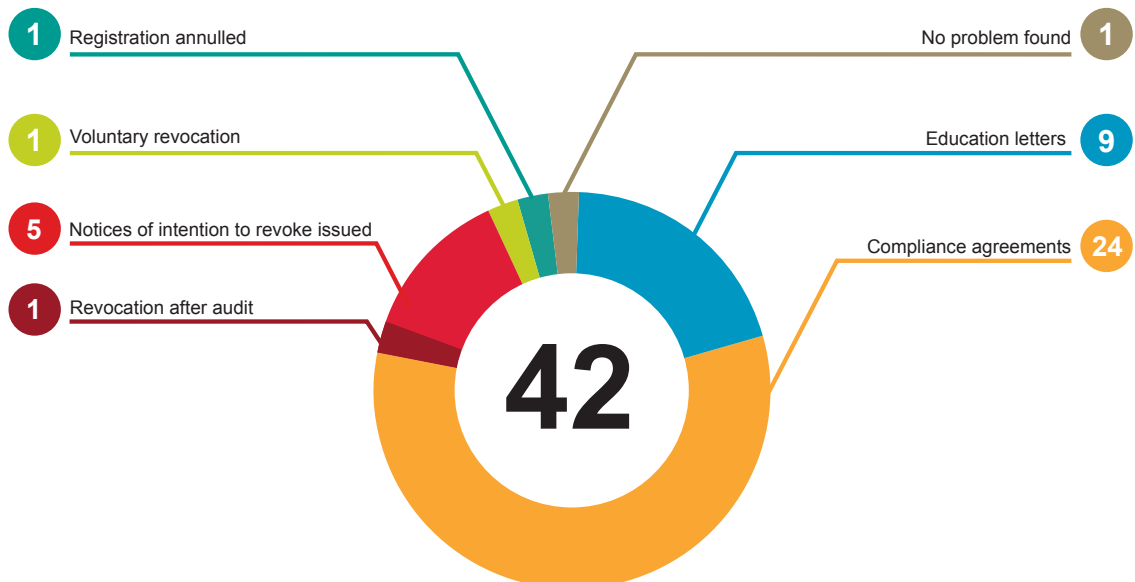
## Consultations

The March 2016 Federal Budget announced that the Directorate, working with the Department of Finance, will consult with charities to clarify the rules governing political activities. The CRA is hosting online consultations with the public and in-person consultations with stakeholder groups from across Canada in the fall of 2016. A consultation panel, made up of individuals with expertise in the regulatory issues facing charities, will use the feedback from the online and in-person consultations to make recommendations to the CRA in early 2017.

## Conclusion of the political activities audit program

Under the political activities audit program, the Directorate selected 60 charities for audit over four years, in addition to the roughly 800 audits it conducts annually. In January 2016, the Minister of National Revenue issued a news release announcing the Directorate would be winding down the program; at the time, 30 audits were completed and 24 were underway. The release also noted that the remaining six audits would not be started as part of the political activities audit program, as the results of the program had shown substantial compliance with the rules regarding charities' involvement in political activities. As of September 30, 2016, the Directorate has concluded 42 audits. There are 12 audits for which the audit work has been completed and the Directorate is currently communicating the results to the charities, allowing appropriate time for them to respond.

## Political activities audit outcomes



## Outreach activities

The Directorate regularly reviews and updates its outreach strategy to ensure it meets the needs of the sector and the public. Outreach activities being developed by the Directorate include:



- high-impact animated video series to educate charities on gifting and receipting, books and records, fundraising, and other charity topics
- electronic tools to help organizations submit complete and accurate information when applying for registration, such as a personalized document checklist with important messages for applicants

## Guidance product review

The Directorate is currently working on several new guidance products to help charities understand the requirements of registration. Its current projects include developing or updating guidance pieces on:

- the advancement of education
- the relief of poverty
- the protection of the environment
- private benefit
- related business

## Compliance initiatives

This year, the Directorate plans to increase its outreach to charities beyond the core audit program. It will focus on educating charities on how to detect and deal with minor non-compliance issues.

### A new approach to compliance

The Directorate is actively looking at ways to encourage voluntary compliance by charities to address minor non-compliance issues before they become serious concerns. The Directorate plans to strengthen its risk management framework by:

- increasing educational outreach to a larger segment of the sector, including educational visits to newly registered charities
- focusing audit resources on high-risk cases, including serious cases of repeated intentional and/or aggravated non-compliance

### Strategies to reduce late filing

The most recent review of the Charities program by the Office of the Auditor General (OAG) identified the late filing of annual returns as an area of specific concern. An internal review found that one in four registered charities did not file their annual return on time, that is, within the six months after the charity's fiscal period end.

Late filing delays public access to information about charities. When a charity does not file its annual return by its due date, the Directorate sends a notice by registered mail and makes a telephone call to remind it to file. If the charity still does not file its return, the Directorate will revoke the charity and send a notice of revocation by registered mail. Late filing leads the Directorate to revoke hundreds of charities. Many of these revoked charities later go on to apply for re-registration. Approximately ten percent of incoming applications for registration are received from charities that were revoked for failing to file their return. Dealing with late filing in this way is costly and time consuming for the Directorate.

The Directorate launched a special project to address these issues. First, it examined late filing and found that:

- approximately 1/4 of charities file late on an annual basis
- most late returns are received within 30 days of the deadline
- the majority of late filers were “repeat offenders,” filing late for two or more consecutive years
- most late-filing charities have:
  - no, or few, paid staff
  - revenues under \$100,000
  - expenditures under \$100,000

The project also considered whether the Directorate unintentionally encourages charities to file just before their registration would be revoked, rather than filing on time.

The project recommended that late-filing reminders:

- use plain language
- be sent earlier
- explain the importance of timely filing
- include the consequences of failing to file

The Directorate plans to implement these recommendations and monitor their effect on filing patterns. Starting this fall, the Directorate will email charities before their fiscal period end to remind them to file on time. Only those charities that have provided us with their email addresses will receive these reminders. Also, the Directorate will begin making automated reminder telephone calls to selected charities one month before their filing deadline, as opposed to two or three months after the deadline. All other filing reminders currently employed by the Directorate, such as the email reminder four months after a charity’s fiscal period end, will remain in effect. The Directorate believes these proactive and educational efforts will encourage more charities to file on time. If filing does not improve, however, the Directorate will consider more serious measures.

## Ineligible individuals

The Directorate also plans to begin a project concerning the ineligible individual provisions of the Act. Generally speaking, an ineligible individual is someone who:

- has been convicted of an offence related to financial dishonesty or relevant to the operation of the charity
- was connected to a registered charity that the Directorate revoked for a serious breach of regulatory requirements

Ineligible individuals pose a potential risk to the charity’s assets and beneficiaries. The Directorate can refuse to register or revoke a charity’s registration if an ineligible individual is on the board or controls the charity.

The Directorate intends to do an in-depth review of the ineligible individual issue to:

- determine the extent and impact of ineligible individuals
- provide outreach and education to charities about ineligible individuals
- detect and address serious non-compliance of registered charities with ineligible individuals

## The Charities Modernization Project (CHAMP)

The 2014 Federal Budget provided the Directorate with \$23 million to modernize its IT systems over a five year period. Improving these systems will allow charities to apply for registration and file their annual returns electronically, reducing their administrative burden.

As part of CHAMP, by the end of 2018:



Form T2050, Application to Register a Charity under the Income Tax Act, will be replaced by a new online application for registration e-service.



Registered charities will be able to file their annual returns online through the CRA's My Business Account.



The Charities Listings will be improved to help Canadians make informed choices about charitable giving.

The CRA's My Business Account is a secure and convenient way to access CRA account information online. Registered charities can sign up now to access My Business Account and be ready for online filing when it becomes available in late 2018.



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# APPENDIX



## Organizational structure and roles

The CRA's Charities Directorate is part of the Legislative Policy and Regulatory Affairs Branch (LPRAB). The Directorate is made up of six divisions, each with its own role and responsibilities.

### Assessment, Determinations, and Monitoring Division (ADM)

ADM reviews applications for registration as a charity or other qualified donee. It also provides technical and legislative advice about registration to, for example, applicants, registered organizations, and other government departments.

### Client Interface and Service Division (CISD)

CISD helps the Directorate provide service excellence. Interactions with the CRA should be easy, helpful, fair, and consistent, making Canadians feel respected and valued. CISD informs and educates the charitable sector and the public by responding to enquiries and maintaining the Charities and giving webpages, as well as developing outreach and communications products.

### Compliance Division (Compliance)

Compliance monitors charities and other qualified donees to ensure they continue to meet the requirements of registration. It conducts audits and desk reviews, and examines selected T3010s, Registered Charity Information Returns (annual returns) to ensure they are accurate and complete.

### Policy, Planning, and Legislation Division (PPLD)

PPLD develops policy and guidance products for the Directorate and charities. It also proposes and explains changes to the Act, liaises with the Appeals Branch about objections to Directorate decisions filed by charities, and manages Directorate training. PPLD gathers and analyses business intelligence for the Directorate and is leading the Charities Modernization Project (CHAMP).

### Review and Analysis Division (RAD)

RAD supports the Government of Canada's strategy to combat terrorism and suppress terrorist financing. It does this by reviewing all applications for charitable registration, monitoring and auditing registered charities, and educating charities and the public on issues relating to terrorism and terrorist financing. It also provides information to domestic partner agencies to support investigations, and contributes to the work of international organizations by participating in working groups and debates.

## Corporate and Information Programs Division (CIPD)

CIPD provides IT, financial, and human resource support services to the Directorate. It is also the Directorate's resource for information management and record keeping, corporate reporting, and responding to external data requests.

The organizational structure of the Charities program is set out below:

