



News release

The Canada Revenue Agency revokes the charitable status of Funds for Canada Foundation

Ottawa, Ontario, August 10, 2009... The Canada Revenue Agency (CRA) has revoked the charitable registration of Funds for Canada Foundation, a Toronto-area charity. This revocation was effective August 8, 2009.

On June 29, 2009, the Minister of National Revenue issued a notice of intention to revoke the charitable registration of Funds for Canada Foundation, in accordance with subsection 168(1) of the *Income Tax Act*. The letter stated, in part, that:

Based on the Canada Revenue Agency's (CRA) audit of Funds for Canada Foundation (the Charity), it is our view that the Charity operates for the primary or collateral purpose of furthering the Donations for Canada tax shelter by agreeing, for a fee, to act as a receipting agent in the tax shelter arrangement.

Our audit has revealed that from December 2, 2005, to December 31, 2006, the Charity issued nearly \$176.5 million in receipts for cash received through the tax shelter arrangement. The Charity, in turn, paid over \$14.2 million to the tax shelter promoter as fundraising fees and directed \$160.8 million to an off-shore investment vehicle.

Our audit findings indicate that 79.05% of the funds directed to the off-shore investment vehicle were eventually returned to the original lender of the funds. The Charity retained a meagre 1% of the total tax-receipted amounts for use in its own programs.

It is our position that the Charity has operated for the non-charitable purpose of promoting a tax shelter arrangement and for the private benefit of the tax shelter promoters. The Charity has issued receipts for transactions that do not qualify as gifts; issued receipts otherwise than in accordance with the *Income Tax Act* and its Regulations; has failed to maintain sufficient books and records to support its activities; and has failed to meet its annual disbursement quota. For all of these reasons, and for each of these reasons alone, it is the position of the CRA that the Charity's registration should be revoked.

The notice of intention to revoke and other letters relating to the grounds for revocation are available to the public on request by calling 1-800-267-2384.

A charity that has had its charitable status revoked can no longer issue donation receipts for income tax purposes and is no longer a qualified donee under the *Income Tax Act*. The organization is no longer exempt from income tax, unless it qualifies as a non-profit organization, and it may be subject to a tax equal to the full value of its remaining assets.

Registered charities in Canada perform valuable work in our communities, and Canadians support this work in many ways. The CRA regulates registered charities through the *Income Tax Act* and is committed to ensuring that charities operate in compliance with the law. Where a registered charity is found not to comply with its legal requirements, the CRA may apply monetary penalties or may suspend or revoke the charity's status under the *Income Tax Act*.



The CRA is reviewing all tax shelter-related donation arrangements (for example, schemes that typically promise donors tax receipts worth more than the actual amount of the donation), and it plans to audit every participating charity, promoter, and investor. For more information about tax shelters, go to the CRA's Tax alert Web page at **www.cra.gc.ca/alert**.

For more information about the registration of Canadian charities, go to the CRA's Charities and Giving Web page at **www.cra.gc.ca/charities**.

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