



News release

The Canada Revenue Agency revokes the charitable status of The Orion Foundation

Ottawa, Ontario, May 10, 2010. . . The Canada Revenue Agency (CRA) has revoked the charitable registration of The Orion Foundation, a Toronto-area charity. This revocation is effective May 8, 2010.

On March 30, 2010, the CRA issued a notice of intention to revoke the charitable registration of The Orion Foundation, in accordance with subsection 168(1) of the *Income Tax Act*. The letter stated, in part, that:

The Canada Revenue Agency's (CRA) audit has concluded that from January 1, 2005, to December 31, 2007, The Orion Foundation (the Organization) issued in excess of \$91 million in receipts for medicine units received through the Canadian International Aid Program tax shelter arrangement. However, it is our position that receipts were issued for amounts far in excess of the actual value of the property. The Organization's records fail to substantiate that the values recorded on the receipts were accurate, or that the property was actually received, used, or distributed in the quantities reported by it.

For its participation and tax-receipting abilities the Organization received approximately \$1 million in cash. Of this amount, the majority was paid to another registered charity as compensation for its role in the arrangement, to related third party companies as administrative fees, and was also used for the personal benefit of directors. The Organization devoted only \$70,000 to its own charitable purposes.

Our audit has also revealed insufficient separation between the Organization's operations and the personal business and financial interests of those responsible for its operation. In particular, the Organization has entered into collusive contractual arrangements with directors and related parties who are themselves promoting the tax shelter programs. These arrangements have resulted in substantially all of the actual cash received being diverted into the hands of the promoters and related companies rather than used for charitable purposes.

It is our position that the Organization has operated for the non-charitable purpose of promoting tax shelter arrangements and for the private benefit of its directors and the tax shelter promoters. The Organization 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; 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 Organization'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



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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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